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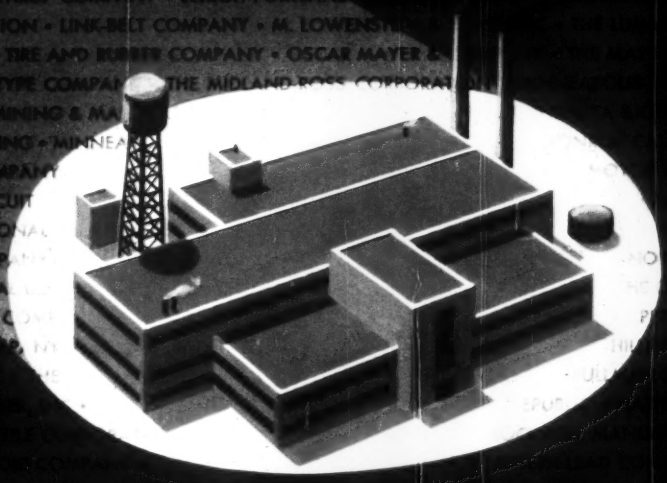

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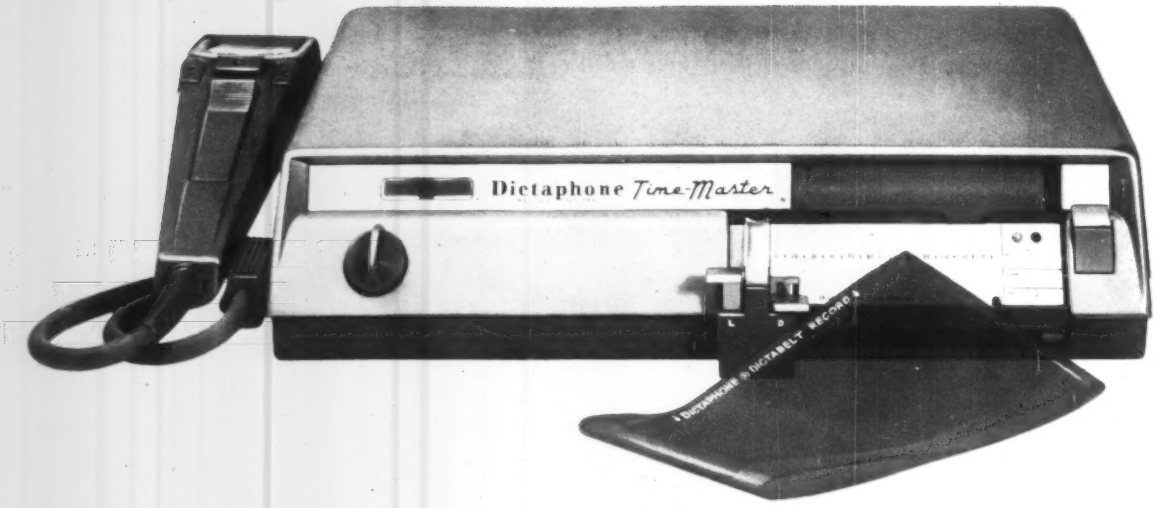

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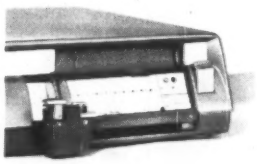

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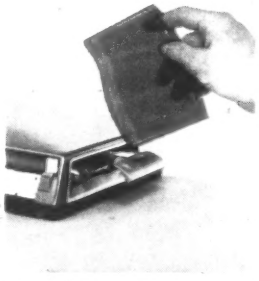

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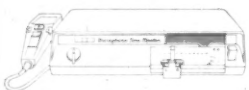
THE NEW **DICTAPHONE**  **TIME-MASTER**

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DUN'S REVIEW and Modern Industry

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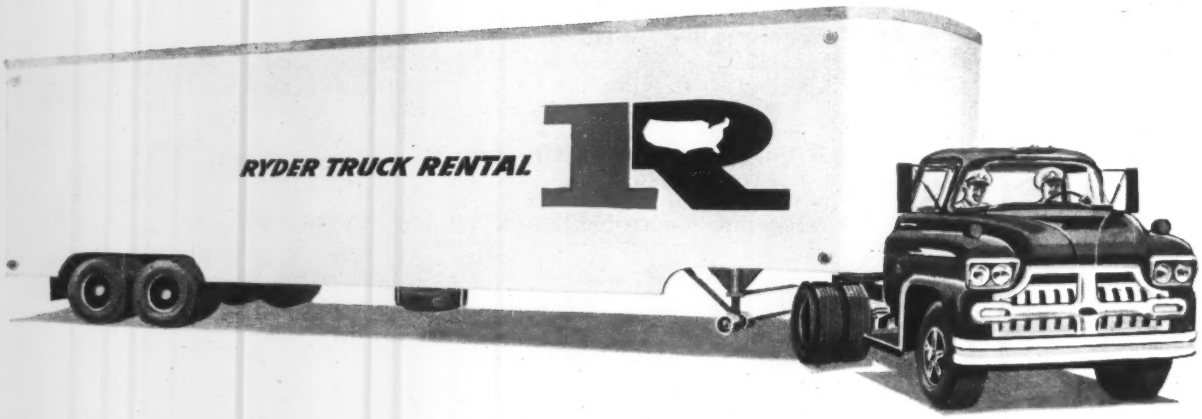

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Editorial

The Saving Grace

THE INDIVIDUAL CITIZEN may be a little less than temperate in his financial habits. When he is in a spending mood, impelled by a bullish attitude toward tomorrow, he strains occasionally at the installment limits. When he decides to put a dollar away, he has the earning power to achieve substantial savings rapidly. There is nothing niggardly about the typical American, and his saving sprees are seldom inspired by fear. Putting money away for a sunny day certainly reflects a happier mental outlook than stashing the dollars back of the grillwork against the dour prospect of a rainy season.

The American consumer measures wealth in terms of utility and is more than willing to spend it on service and recreation for his family—on autos, appliances, home improvements, clothing, books, entertainment, and travel. The fact that he takes as lively an interest in saving as in spending only proves that to him money is a means to an end, not a miserly objective in itself. He is not impelled by fear of tomorrow, nor is he doing without essentials for the sake of building up his bank statement. He is under no obligation to clutter up his garage, kitchen, cellar or living room with anything more or less than he wants. When the consumer shows reluctance to spend, he is often serving industry's future needs by creating a thrift backlog for the benefit of risk capital.

Statesmen, economists, and merchants often overlook the ordinary citizen's astonishing talent for doing the right thing in a given economic situation. Plain John Doe is often thinking and acting weeks and months ahead of any recognizable trend in the statistics of industry and trade. Today, he is preparing for an economic upturn, and his approach is as sensible as it is unhurried. To be sure, many individuals have been hurt by the current recession. But it's worth remembering that there are individuals and business men who suffer financial jolts in good times as well as bad.

The individual is showing himself a lot slower to panic about the pause in our economic progress than many of the experts, and he will show less surprise when the upturn bursts upon us, or arrives in stealth around some statistical corner.

This recession will fade and be forgotten except as a date, and its scars will be quickly hidden in the green growth of the future. The customer will continue to indulge his whims at the market place, eager one day and stubborn the next. And the great game of wits will go on, for the individual citizen is still elusive enough in his buying habits to defeat any smug formula that would predict his behavior.

That's what makes the game fascinating and the results rewarding. We might imagine that we would like nothing better than "easy picking" from the buyer's open palm, but there wouldn't be any competitive fun in it for the buyer or seller.

The Editors

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The Upturn: How Soon, How Steep?

ALTHOUGH IN recent weeks there have been numerous bright spots in the business picture, the outlook is still hazy. The rate of decline has eased and the leveling-out period is close at hand, but a real upswing is unlikely before sometime early next year.

Here are the present prospects:

Industrial production in July and August will revert to the low point of April, then inch up in the Fall. Manufacturers can expect a slight rise in new orders during the next few months, but there will be some more reduction in inventories. Capital spending will dip further in the third and fourth quarters, continuing into 1959.

In late Summer and early Fall, consumer spending will equal or slightly exceed comparable 1957 levels, depending in part on how the 1959 autos are received. Personal income will edge up from the present high level during the next few months, and unemployment levels will show little change. Retail prices will slip below recent peaks during the Summer and most of the Fall.

Recent downward revisions in expenditures for new plants and equipment have offset some of the sustaining effect that continued high consumer spending had on over-all business activity. It is unlikely that the current decline in business spending will turn around much before there are any real significant gains in consumer outlays.

Business men now expect to invest about $31 billion in new plants and equipment in 1958. This finding of a joint survey by the United States Department of Commerce and the Securities and Exchange Commission is 4 per cent below expenditures planned as of three months ago. It would mean a decline of 17 per cent from the record outlays of 1957.

Railroads, manufacturers of durable goods, and mining concerns planned to trim their outlays most noticeably from last year. Some blamed bad weather conditions for the decline in the first half of the year, but more attributed it to adjustments of basic programs.

New orders and new prices

On the brighter side, manufacturers were pleased with the stabilizing of new orders in May and June. There were fractional increases in both durable and nondurable goods. Increased Government spending for defense accounted for much of the rise, and is expected to boost orders in the next few months.

Steel orders advanced moderately in May and June. Bookings from farm implement manufacturers and the construction industry expanded significantly, while those from automobile producers and oil companies lagged. Some steelmen ascribed the improvement to dwindling stocks in the hands of users, while others thought an expected price rise for steel products on July 1 spurred many consumers into stepping up orders.

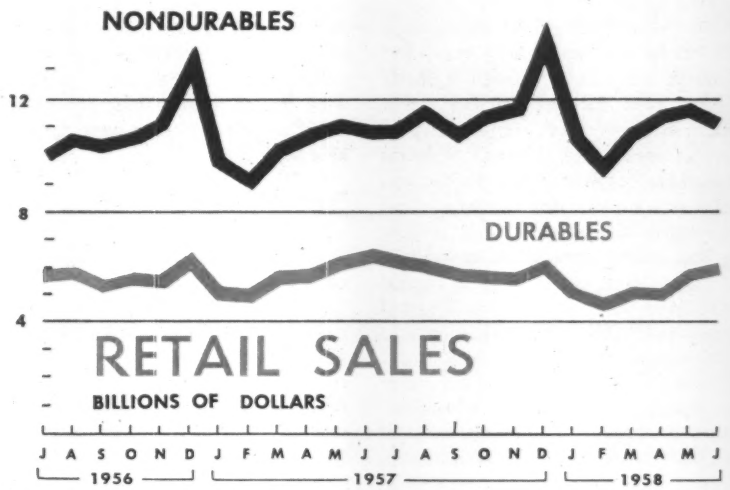
Although it remained considerably below a year ago, ingot production in June was at the highest monthly level since last January. Industry officials expect orders and output to dip in July after price increases go into effect. The rate of capacity will rise gradually in August and September as orders from the automotive industry expand. Despite this Fall improvement, total output for all of 1958 will fall about 25 per cent below last year.

Auto output steady

Although no agreement was reached in the negotiations between the United Auto Workers and the major producers by the June 1 deadline, passenger car output in June was close to that of May. Manufacturers were somewhat encouraged by the slight rise in dealer's sales and the steady decline in inventories. Some auto makers announced plans for model changes beginning early in July. Shutdowns for changeovers will reduce output during the Summer.

Following several weeks of slight year-to-year declines, electric power production moved up in early June and matched that of a year ago. The output of both oil and bituminous coal advanced a little during the month, and the declines from last year were narrowed. Increased activity in all these industries, but especially in steel, helped boost over-all industrial production in June somewhat over May.

Most of the recent decline in manu-



CONSUMER BUYING *of furniture, appliances, and other durable goods rose in June. Figures for April, May, and June are estimates. Other data: U.S. Department of Commerce.*

Looking Four Quarters Ahead . . . .

First Quarter 1958*	Second Quarter 1958*	*Figures in billions of dollars at seasonally adjusted annual rates*	Third Quarter 1958†	Fourth Quarter 1958†	First Quarter 1959†	Second Quarter 1959†
422.0	423.5	GROSS NATIONAL PRODUCT	429.6	438.1	445.4	450.4
281.2	284.8	CONSUMER SPENDING	288.2	290.9	293.4	295.5
87.5	89.5	GOVERNMENT OUTLAYS	90.7	92.7	94.4	96.1
53.3	49.2	PRIVATE INVESTMENT	50.7	54.5	57.6	58.8

*Data from National Income Division, U.S. Dept. of Commerce †Commentators' estimates

It is already clear that the new Federal fiscal year (ending June 30, 1959) will be marked by definite recovery in business. By late June it seemed likely that the nation's output of goods and services (gross national product), which rose slightly last Spring, would move upward to a seasonally adjusted rate of about $450 billion next Spring. This forecast assumes that only moderate and highly selective tax relief will be voted, but that credit will be kept easy into early 1959 at least.

The projected swingback, however, is not a very strong one. In physical terms, total output will not exceed pre-recession levels by enough to balance interim growth in the economy's capacity even by mid-1959. Indeed, at that time mining and manufacturing output, as measured by the Federal Reserve Board index, will probably still be running under its Summer 1957 average. Since the labor force is certain to be 1.5 million to 2 million larger than it was before the recession, and productivity per man is increasing, unemployment will remain high.

All three principal classes of spenders—public authorities, private investors, and consumers—will contribute to the upswing.

In the case of **government outlays,** the recent rate of rise in spending by states and municipalities (about $3 billion per annum) will be reinforced by a marked step-up in Federal spending—mainly for defense, though on balance other spending should rise moderately too. The recently enacted pay increases and heavier spending in some other areas will outweigh probable cuts in a few non-defense programs.

The over-all gain in **private investment** will result from the following changes in major components:

1. Despite recent and prospective improvement in farmers' spending for machinery and construction, total outlays for both *producers' equipment* and *non-residential building* promise to continue downward at least through this year and probably into 1959.

2. In *net foreign investment*, the margin of exports—including services, other than foreign aid—over imports should run slightly below its Spring level for several quarters.

3. Outlays for *nonfarm housing*, on the other hand, ought to advance uninterruptedly throughout the whole period.

4. Finally, prospective changes in the pattern of *inventory investment* will lend appreciable support to activity over several quarters. Sellers, who were adding to stock at a seasonally adjusted annual rate of around $3 billion last Summer, cut their holdings at a terrific pace last Winter and Spring. This flip-flop has been a major reason for the precipitate fall in output and overall spending, apparently accounting for over two-thirds of the drop in gross national product between the Summer of 1957 and last Spring. Liquidation, however, will slacken this quarter, decrease further (or perhaps cease or even give way to accumulation) next Autumn, and should be reversed by early 1959 at the latest.

Consumer spending ought to rise significantly. Purchases of goods and services will register the largest absolute gains, despite a probable drop in food prices next Fall.

EDWIN B. GEORGE, *Director of Economics*
ROBERT J. LANDRY, *Economist*

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facturers' orders was centered in durable goods. The most significant year-to-year decreases were in transportation equipment, particularly autos and auto parts. The total book value of business inventories is currently about 4 per cent less than the peak level of last September. Although there has been a fractional decline from a year ago in stocks held by makers of nondurables, slight increases in paper, chemicals, petroleum, and coal have prevailed. While wholesale stocks have slipped below 1957 levels, those of retailers have remained above a year ago.

More interest in hard goods

Business men were encouraged by recent reports that shoppers were showing more interest in furniture, major appliances, and housewares. In late May and early June, sales of air-conditioners, fans, refrigerators, lawn furniture, dinette sets, and case goods showed marked advances from the levels of the preceding weeks, though volume remained below a year earlier.

Total retail sales of nondurable goods hit an all-time high in May, and volume in early June showed signs of climbing even further. Belated warm weather in many areas stimulated purchases of men's and women's Summer merchandise, especially sportswear and beachwear. Food sales mounted, and were appreciably higher than a year ago. Best sellers were picnic specialties, ice cream, fresh produce, and canned goods. Food sales in 1958 are expected to amount to about $79 billion, breaking the record set last year.

The continued high level of consumer buying and the steadiness of personal income throughout most of the current recession has led many business men to expect a new upsurge in installment buying a little later in the year. Although new credit extensions rose in recent months, consumers have paid off their old installment loans at a faster rate. The Federal Reserve Board reports on the installment debt outstanding have shown successive declines since the beginning of the year. The decreases were due to more people paying off installments on cars than were contracting new auto credit.

Personal income climbs

For the first time since last August, wage and salary payments rose in May, on a seasonally adjusted annual basis. This boosted the May annual rate of personal income to $344.3 billion from $343.1 billion in April, according to the U.S. Department of Commerce. Pay increases for Government civilian workers will help the rate edge up in the Fall.

The rise in personal income in May was due to employment gains in con-

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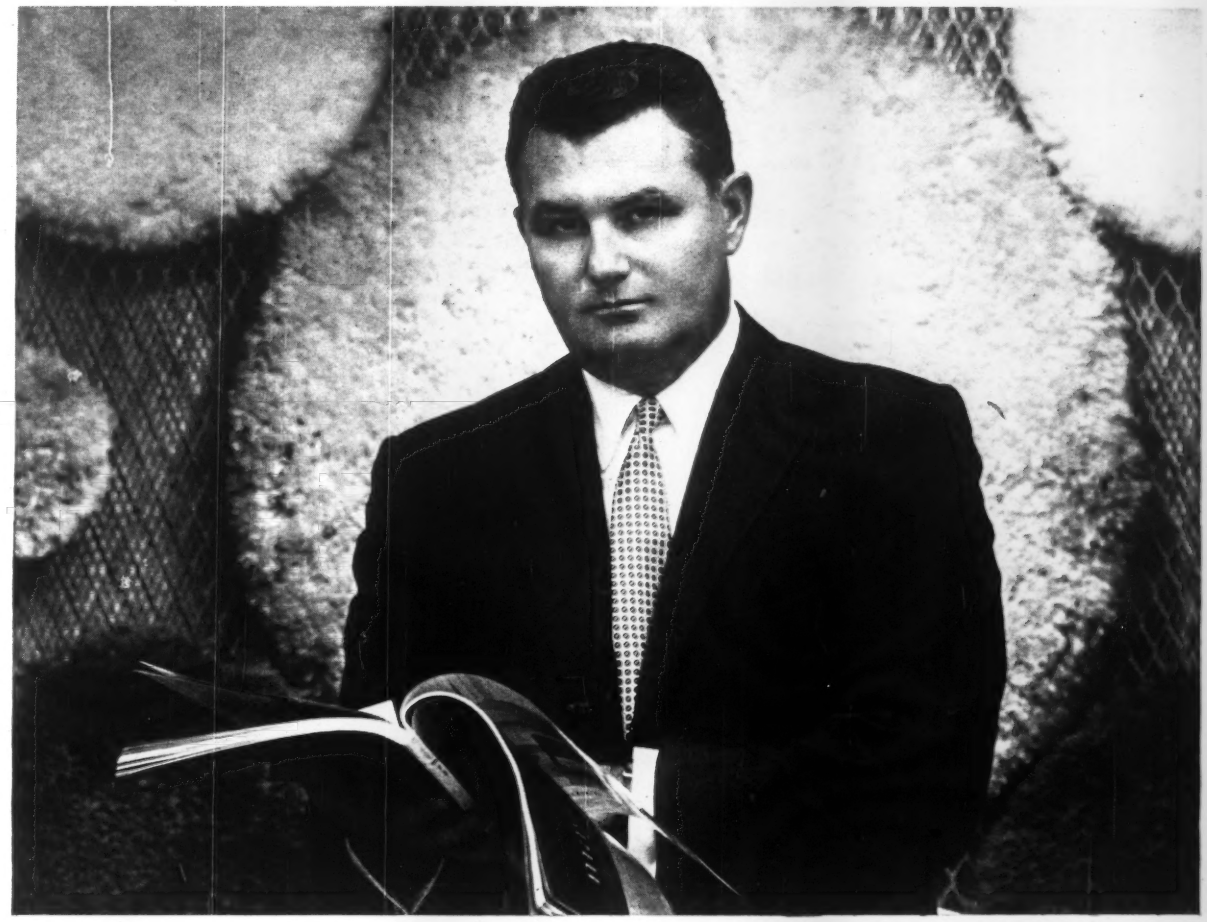

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struction, in farming, and in service jobs. Total employment in mid-May rose about 1.2 million to 64.1 million from the prior month. This was the first time since the recession got under way that there was a more than a seasonal rise in employment. The number of jobless fell appreciably to 7.2 per cent of the civilian labor force from 7.5 per cent in mid-April.

Although more favorable business news, such as high personal income and lower unemployment, has helped keep the consumer in a buying mood, high prices continued to plague him. Costs of food in May again reflected poor harvests in the South in Winter and early Spring. As increased supplies of fresh produce reached the market in June, food prices tended to level out, and will slip steadily throughout the rest of the year. Prices on household goods and apparel showed little change in May and June, and are likely to remain close to present levels in the next few months.

Farmers better off

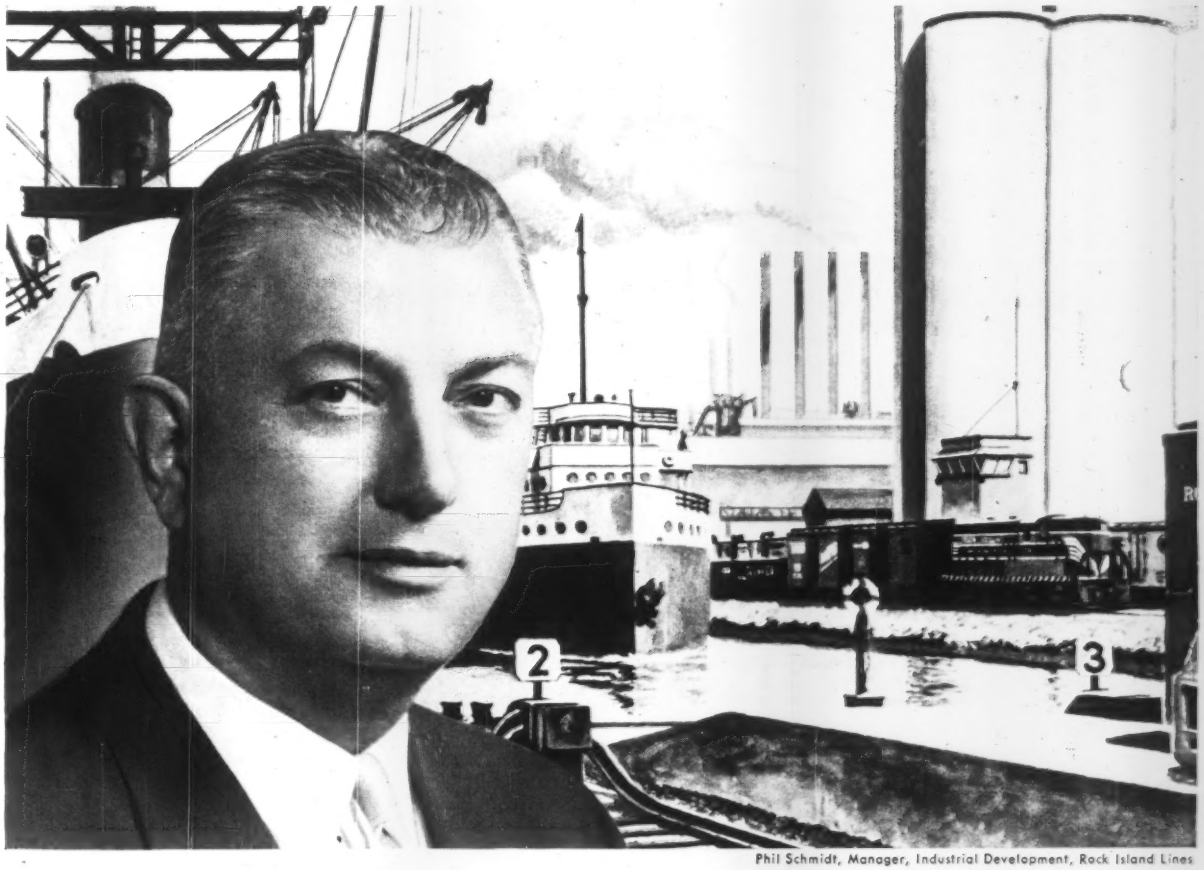
The farm picture in May and June was much brighter than it was a year ago. Farm marketings were up sharply, and mid-May prices received by farmers were 10 per cent higher than in the similar 1957 month. The outlook is not quite so rosy. While prices received by farmers are expected to decline during the Summer as supplies increase seasonally, prices paid by farmers will probably continue at present levels. This is likely to squeeze some of the life out of the recent upsurge in orders for farm machinery and implements.

There was a continued healthy response in May to Government efforts to spur home building. Mortgage insurance applications in May were the highest for any month in the history of the Fed-

Weekly Business Signposts

	Latest week	Previous week	Year ago
Steel ingot production (Ten thousand tons (a))	169	175	215
Electric power output (Ten million KW hours (b))	119	121	123
Bituminous coal mined (Hundred thousand tons (c))	84	78	103
Automobile production (Thousand cars and trucks (d))	100.3	95.5	141.0
Department store sales (Index 1947–1949 = 100 (e))	138	135	139
Bank clearings, 26 cities (Hundred million dollars (f))	27.7	28.6	23.6
Business failures (Number of failures (f))	290	254	241

SOURCES: (a) Amer. Iron & Steel Inst.; (b) Edison Electric Inst.; (c) U.S. Bureau of Mines; (d) *Automotive News*; (e) U.S. Bureau of Labor Statistics; (f) DUN & BRADSTREET, INC. Steel and bank clearings data for the fourth week of May; department store sales and coal for the second week; all others for the third week.



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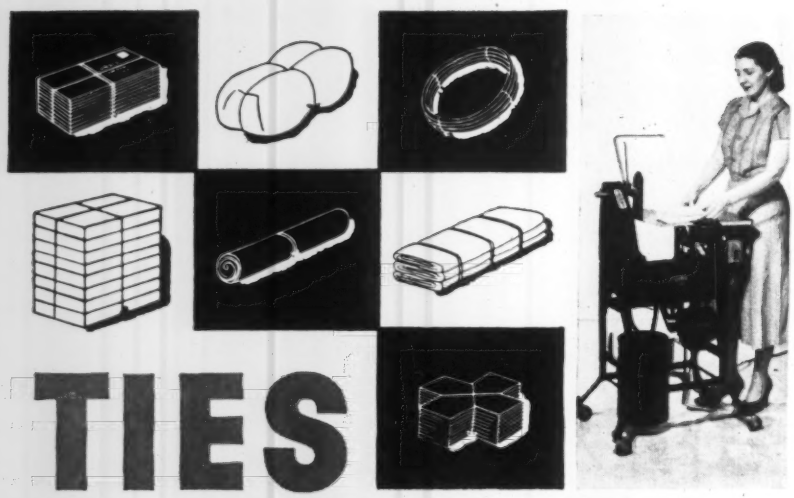

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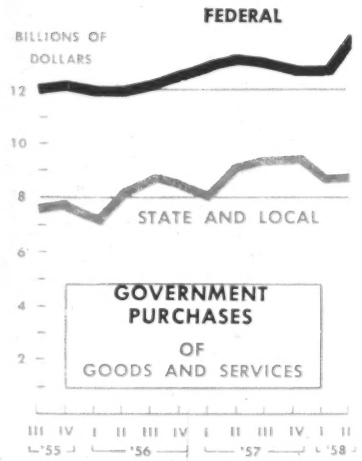

FEDERAL SPENDING *for national security rose during the second quarter of 1958. The figures used are not seasonally adjusted.*

eral Housing Administration. For the first time since January the seasonally adjusted annual rate of housing starts in May ran over the 1 million mark; the rate was 1,010,000. This was well ahead of the year-ago level, and Government officials foresee a further rise later in the year.

Some heartening news was also found in the May report by the United States Departments of Commerce and Labor on new construction put in place. The dollar value rose seasonally to $4.1 billion from $3.7 billion in the prior month. Increased outlays for highways and public housing helped boost the total for public construction for the first five months of this year moderately over a year ago. Continued strength in public construction and residential building will offset declines in private industrial contracts for the rest of the year. This will help total outlays for 1958 to equal or slightly exceed 1957.

Stock market activity quickened in early June. Both volume of trading and prices rose to new highs for 1958. Many business men saw this as a sign that the recession is "bottoming out."

Reductions in borrowing by public utilities and transportation concerns resulted in a drop in bank loans to business in early June. The total of business loans outstanding was down slightly from the comparable early June level a year ago.

This report was prepared in the Business Economics Department, Dun & Bradstreet, Inc., by John W. Riday.

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Failures . . Latest trends in business casualties

Dollar Liabilities Lighter

CONTINUING down in May, business failures dipped 8 per cent to 1,341. Although this decline was greater than the usual seasonal drop, casualties remained 12 per cent higher than a year ago and edged slightly above their 1939 level. The rate of failure in relation to the operating business population, however, was less severe than in that prewar year.

Concerns succumbed this May at an annual rate of 55 per 10,000 listed enterprises, as shown in DUN'S FAILURE INDEX. Up moderately from 50 last year, this rate compared with 70 in 1939 and was less than half the toll of 111 per 10,000 in 1933.

Dollar liabilities involved in the month's casualties dropped sharply to $56 million, the lowest volume this year. There was a noticeably smaller number of failures with liabilities of $100,000 or more.

Fewer casualties occurred in retailing than in any other month this year. The April decline continued in all trades except automotive and drug stores. Their totals reached new postwar highs, although their failure rates in terms of operating concerns remained moderate. Furniture stores continued to suffer a large number of casualties, but appliances and small furnishings showed improvement. In manufacturing, food industry failures fell to a twenty-month low and the leather industry's toll was off considerably. But month-to-month increases continued in machinery, transportation equipment, and printing.

In all functions save wholesale trade, mortality exceeded a year ago. A 32 per cent rise from 1957 occurred in commercial service, mostly in business and repair service enterprises.

Eight of the nine major geographic regions reported lower casualties in May. However, in all save the South Central and Mountain States, more concerns failed than last year. Marked increases were noted in Massachusetts, Connecticut, New York, Illinois, Wisconsin, Washington, and Oregon; in two states, New Jersey and Florida, tolls climbed to postwar peaks. The large cities reported twice as sharp a rise from last year as the balance of the country.

FAILURES BY DIVISION OF INDUSTRY

(Current liabilities in millions of dollars)	Number 5 Months		Liabilities 5 Months	
	1958	1957	1958	1957
MINING, MANUFACTURING	1207	1030	120.0	98.4
Mining—coal, oil, misc.	37	28	5.9	5.8
Food and kindred products	86	81	6.7	5.7
Textile products, apparel	234	226	15.8	15.1
Lumber, lumber products	218	189	16.7	11.5
Paper, printing, publishing	74	57	3.9	2.6
Chemicals, allied products	27	26	1.3	2.3
Leather, leather products	54	32	7.9	3.9
Stone, clay, glass products	27	29	2.7	1.5
Iron, steel and products	77	44	7.2	20.1
Machinery	131	117	14.2	13.2
Transportation equipment	35	27	13.1	2.2
Miscellaneous	207	174	24.6	14.5
WHOLESALE TRADE	647	565	32.8	35.9
Food and farm products	141	128	7.0	8.9
Apparel	40	23	1.9	1.8
Dry goods	23	13	0.7	0.4
Lumber, bldg. mats., hdwre.	86	67	6.1	3.5
Chemicals and drugs	18	25	0.3	1.2
Motor vehicles, equipment	30	30	0.6	1.4
Miscellaneous	309	279	16.2	18.7
RETAIL TRADE	3483	3032	109.3	82.1
Food and liquor	495	497	11.5	9.9
General merchandise	135	134	5.2	6.6
Apparel and accessories	588	525	18.0	10.5
Furniture, furnishings	527	468	21.9	17.1
Lumber, bldg. mats., hdwre.	226	204	7.6	6.2
Automotive group	494	344	19.3	9.1
Eating, drinking places	625	535	15.8	13.6
Drug stores	67	69	1.5	2.1
Miscellaneous	327	256	8.5	7.0
CONSTRUCTION	971	915	50.9	49.4
General bldg. contractors	400	355	28.5	26.8
Building subcontractors	519	501	19.2	17.3
Other contractors	52	59	3.3	5.4
COMMERCIAL SERVICE	502	463	28.5	19.0
TOTAL UNITED STATES	6811	6005	341.5	285.0

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

THE FAILURE RECORD

	May 1958	April 1958	May 1957	% Chg.†
DUN'S FAILURE INDEX*				
Unadjusted	58.1	63.3	52.6	+10
Adjusted, seasonally	55.3	59.7	50.1	+10
NUMBER OF FAILURES	1,341	1,458	1,200	+12
NUMBER BY SIZE OF DEBT				
Under $5,000	152	189	192	−21
$5,000–$25,000	660	664	574	+15
$25,000–$100,000	423	422	303	+40
Over $100,000	106	183	131	−19
NUMBER BY INDUSTRY GROUPS				
Manufacturing	242	257	205	+18
Wholesale trade	125	139	132	− 5
Retail trade	659	737	600	+10
Construction	207	209	181	+14
Commercial service	108	116	82	+32
LIABILITIES (in thousands)				
CURRENT	$56,246	$83,977	$52,552	+ 7
TOTAL	57,418	86,622	54,925	+ 5

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Percentage change, May 1958 from May 1957.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

This report was prepared in the Business Economics Department, DUN & BRADSTREET, INC., by Rowena Wyant.

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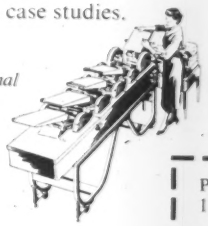

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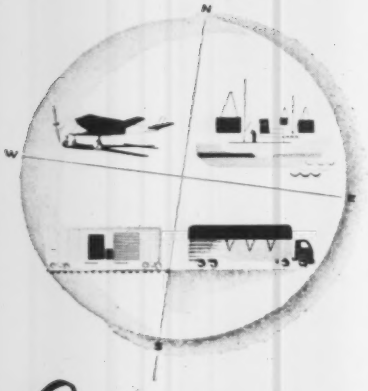

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Recovery–

A Job for Government?

Recently, President Eisenhower "nominated for oblivion" the idea that Government can take all the bumps out of the economic road. And a new DR&MI survey suggests that most of America's business men heartily second the motion.

WHAT SHOULD THE Government do to get business out of its current doldrums and help the economy resume a normal rate of growth? Of the dozens of prescriptions offered by politicians, economists, and other "experts," the one most favored by America's business men turns out to be the simplest: Nothing at all.

This is the major finding of a nationwide survey conducted by DUN & BRADSTREET reporters in mid-Spring. The survey covered more than 1,500 companies, from small owner-managed shops to concerns with more than $100 million in sales, and included manufacturers in a wide range of industries, retailers, wholesalers, and jobbers.

The question put to these business men was: "Do you think that any Government action would bring about a substantial rise in business activity in the next few months?" Only 479 answered "yes," while 1,040—or well over two-thirds—replied in the negative.

Several of those who said Government action would have no immediate effect thought some possible Federal measures—tax cuts or more defense spending, for example—would spur the economy later on. But even without these qualified "no's," opponents of Government action are still a decided majority.

"Hands off business"

Some favored negative Government action—i.e., leaving the economy more to its own devices. "Keep hands off. Reduce Government spending, keep taxes as they are, reduce Federal debt," said the secretary-treasurer of a medium-size ($8 million in sales) manufacturing concern in Ohio. "Get back to the old law of supply and demand," a Washington, D.C., retailer suggested.

Another group who favored positive Government measures wanted action only on the publicity front—soft pedaling unpleasant reports and accenting good news. Thus, a West Coast retailer and wholesaler suggested the Government "keep quiet. Anxiety on the part of the Government creates anxiety among the people." What the country needs, said the vice president of a brewery in upper New York State, is "less publicity over poor conditions in the auto industry. Let the auto people solve their own problems." And the president of a department store—his own sales and profits up this year—thought the unfavorable publicity about economic conditions was hurting businesses that have not yet experienced any recession.

Those who believe Government action could stimulate a substantial rise in business in the next few months were divided as follows on the most effective measures:

Tax cut	34%
Increased Government spending	28%
Tax cut and spending increase	8%
Miscellaneous suggestions	30%

Of those who anticipated the speediest rise from a tax cut, a sizable group, 75 respondents, did not specify the form the cut should take. But apparently many meant cuts in individual or corporate tax rates or both. Thus, some spoke of "across-the-board" cuts, or cuts that would give consumers more money to spend, or manufacturers more "incentive." The secretary of a manufacturing concern in Cleveland was plainly thinking of a cut in corporate rates when he said, "If it weren't necessary to lay aside 30 per cent to 52 per cent for taxes, this company would buy new equipment."

The 82 respondents who specified the type of tax relief were divided this way:

Income tax, corporate and or individual	43
Excise tax	28
Both income and excise taxes	11

Though few specified what form a cut in personal income taxes should take, most answers suggested a straight percentage for all income brackets.

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Many, however, favored concentrating the reduction in the low income brackets. A New Jersey retailer suggested the tax cut be confined to those making less than $10,000 a year and should amount to at least $150 per family.

Recommendations on excise taxes included several suggestions for outright repeal and one for a 50 per cent reduction. The excise tax on automobiles was a particular target, especially among the Michigan companies, many of which were evidently suppliers to the automobile industry. One man suggested a temporary 90-day excise tax cut, with the public forewarned to buy then.

Some favor spending

Of the business men who favored more Government spending—some even used the term "pump-priming"—those who preferred spending for peacetime purposes outnumbered the group who would stimulate the economy by greater spending for defense. Advocates of spending were divided as follows:

Construction, including roads	66
Defense	36
Both construction and defense	10
Unspecified	27

Of the miscellaneous measures suggested, the most popular was easier credit—lower interest rates, special loans for small business, more mortgage money. A few called for wage and price controls or ceilings on wages without price controls. Several were in favor of increasing or extending unemployment insurance, and two suggested shorter hours. A few voted for higher or lower tariffs.

This group, more than any other, included those who looked at the question primarily from the viewpoint of their own industry or area—concerns dependent on home building that wanted easier mortgages, West Coast retailers who wanted Government contracts for nearby aircraft manufacturers, and so on.

Also included were the ten or a dozen who favored purely psychological stimulation, and some who wanted action—any action at all—for its psychological effect. A Texas wholesaler suggested that Government "use their heads a little and stop playing so much golf." "Any action—just for the propaganda effect," said the president of a small furniture-manufacturing company in Cleveland, and the office manager of a small automobile-parts wholesale and retail concern in Connecticut summed up his feelings succinctly with: "Less pussyfooting; more definite action."

—ALICE SMITH

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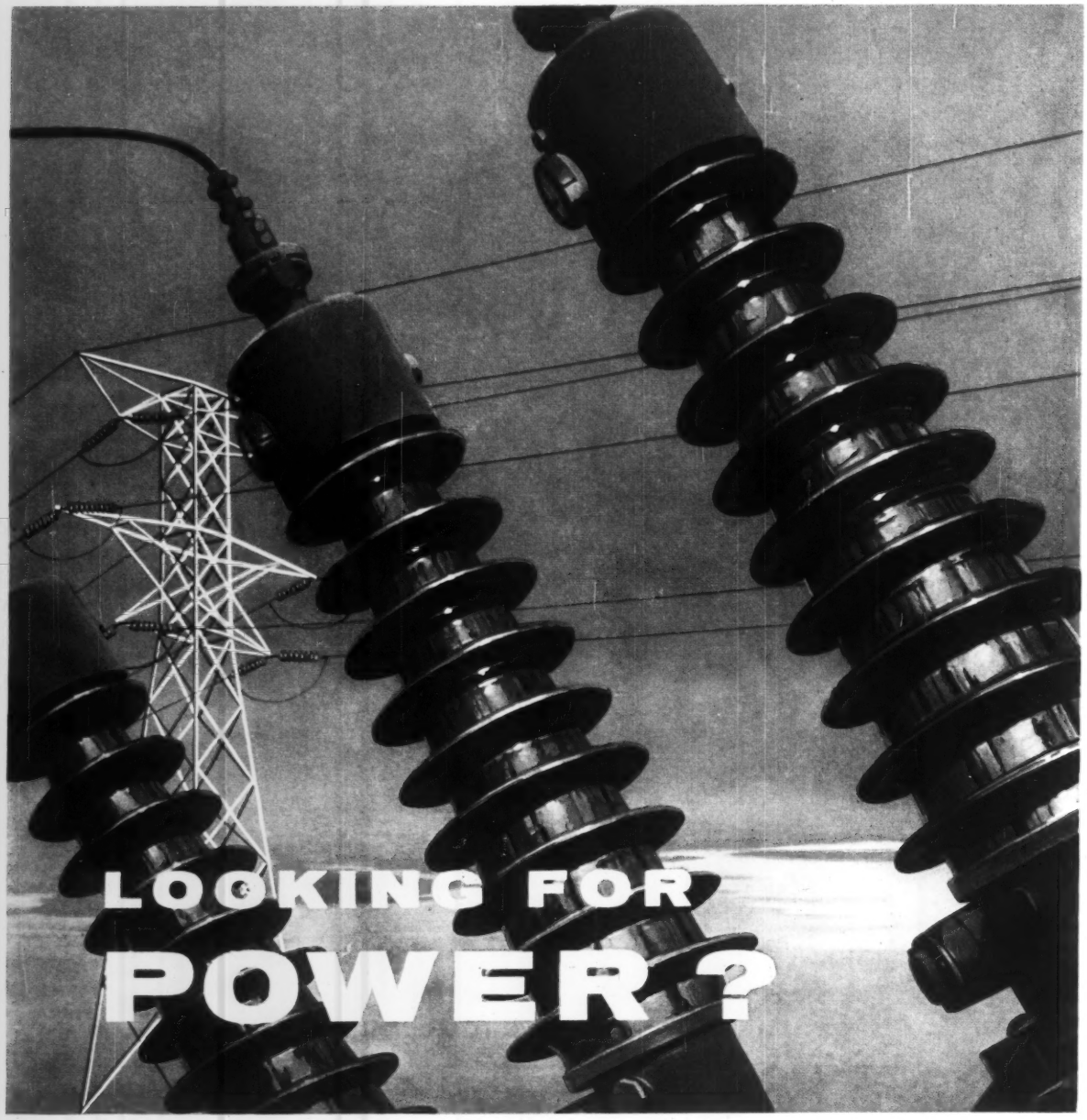

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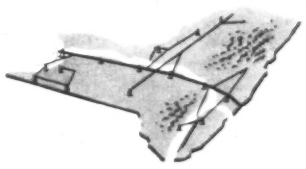

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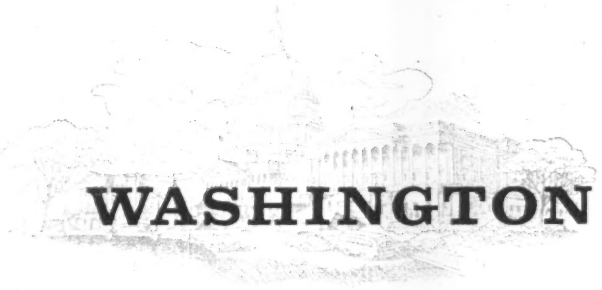

WASHINGTON Business Front

WASHINGTON, D.C.—This is an anniversary month for the American economy. It's the kind of anniversary you mark—but don't celebrate. The recession is now one year old. The capital goods boom came to an end last July. Business activity hit a peak, then started down.

Not everyone will agree that the recession began in July. Some say it started sooner. Others, including Federal Reserve Board Chairman William McChesney Martin, Jr., think it started later. Mr. Martin picks August as the first of the black-bordered months. But July is the month that the Administration uses in its calculations. That's when Raymond J. Saulnier, chairman of the Council of Economic Advisers, thinks the downturn began.

Pinpointing the date when the recession started is more than just a pastime, because many Government economists and policymakers are convinced that the recession is a cyclical movement that will give way to a fresh upturn within fifteen to eighteen months. They recognize that the current downturn differs from the two previous postwar recessions, but they think it's following a post-boom pattern nevertheless. It's the most severe of the three declines. It has gone deeper than either of the other two. And it's expected to last longer.

See no evil, speak no evil

It took a while before anyone in high places would even admit that he suspected business activity was declining—much less acknowledge that a genuine recession seemed to be under way. The Administration didn't know it was a recession last Summer, and spokesmen like former Secretary of the Treasury George M. Humphrey were talking about a "rolling adjustment." As recently as last January, Secretary of Labor James P. Mitchell was publicly denying it was a recession, and Saulnier deliberately didn't use the word in writing the annual Economic Report that President Eisenhower sent Congress on January 20. Saulnier called the downturn a recession in private conversation and wrote a classic description of a developing recession in the Report. He just didn't want to risk weakening business and consumer confidence by putting it in writing.

Saulnier still was worried enough about inflation last August to oppose a liberalization of Government home-building incentives—a battle he lost, incidentally. But by October he was campaigning within the Administration for a boost in Federal spending to offset anticipated declines in private activity. He was urging that Government outlays be increased to just under $75 billion, while former Director of the Budget Percival F. Brundage was holding out for a cut to $70 billion. Saulnier would have lost that battle, too, if the Russians hadn't lobbed Sputnik I into outer space.

In retrospect, the recommendations of the President's chief economist look pretty conservative. Administration experts say there's an excellent chance that spending will pass the $80 billion mark in the fiscal year that began this July 1.

A familiar remedy

Although it will be some time before all the lessons of the recession come clear, one thing is apparent now. Pump-priming has become respectable. True, the Administration's anti-recession program has been cautious pump-priming. But it's been deliberate.

Obviously, Saulnier was trying to prime the pump when he called for heavier Federal spending. The Administration and Congress between them have taken steps to prime the pump by adopting the programs that are due to lift spending into the $80 billion range in the current fiscal year. Top Administration officials stress that these programs aren't "leaf-raking." Existing public works programs have been accelerated. Much of the money is going into defense, with good reason: larger outlays are needed to protect the country. But it's clear that Congress would have adopted other job-creating measures by now if so much money were not being channeled into the defense effort. Deficit spending has been accepted by Republican and Democratic Administrations alike as the proper remedy for a recession.

All deficits may look the same, but the kind now in prospect are not what Mr. Eisenhower would have selected if he had had a choice. The President would prefer to get his deficits by cutting taxes—by having private citizens instead of the Government do the spending. But defense buying had to be increased. A handful of public works programs were accelerated during the Winter and early Spring, when unemployment was rising sharply and public pressure for Government action was at its peak. By that time, the recession had bitten deeply into net incomes and tax collections had begun to shrink.

No wish to see red

Mr. Eisenhower never got to make a choice. When decision time came, his advisers told him that the Federal Government would have a deficit of $8 billion to $10 billion even if taxes were not reduced. The President has a strong dislike for red ink and the deficit prospect was the controlling factor in his decision to reject a massive, multi-billion-dollar anti-recession tax cut. The price was too high.

There were other considerations, too. Secretary of the Treasury Robert B. Anderson, the President's most influential fiscal adviser, was and is hopeful of an early upturn. That made drastic action look unwise—and made the price look even steeper. What's more, no one could provide Mr. Anderson with sufficiently convincing assurances that any specific tax cut would produce a given improvement in economic activity. That suggested that a tax cut might be a costly gamble. And, while it isn't the kind of thing that politicians like to talk about, there's a notion within the Administration that a recession, like a cold, has to run its course.

Add them together—the big deficit, the hopes for an upturn, the nagging doubts that a tax cut would work, the common-cold notion—and you have the

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Anderson-Eisenhower case against an across-the-board tax cut.

The President and his Treasury Secretary may be wrong. There are high officials within the Administration who think they are. More will be known about that when the fourth-quarter business barometers are read.

There are limits to the Administration's expectations of an upturn in the fourth quarter. No one within the Administration will guarantee that activity

With this issue, DR&MI introduces Joseph R. Slevin, whose new column, "Washington Business Front" (a DR&MI exclusive), will appear monthly in this space. Mr. Slevin, who is National Economics Editor of the *New York Herald Tribune*, has been attached to the *Tribune's* Washington bureau since 1955. A former staff member of the New York *Journal of Commerce*, he is an occasional contributor to a number of national magazines.

is going to rise, any more than last Spring's tax advocates were willing to guarantee that their prescription would assure a speedy recovery. Mr. Eisenhower had to gamble. He decided to gamble that there would be a satisfactory upturn without further large-scale Government intervention.

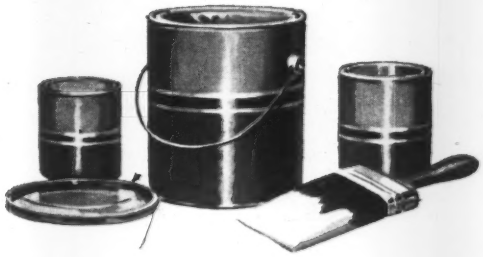
Ike sets a precedent

The impact of his decision will be felt well beyond this year's economic activity or next year's budget deficit. His anti-recession program has reinforced the standing of pump-priming as an economic policy device. But tax reduction has lost caste.

There are those who had hoped that a tax cut would be called into play and that its use would measurably hasten the day when upward and downward adjustments in tax rates would be employed automatically to counter swings in economic activity. They have been disappointed.

Tax cutting as an economic stabilization technique has less standing than it had before the recession started. The more closely the President and his advisers studied the probable impact of a tax cut, the less impressed they were with its potentialities as a buying stimulant. Consumers have been spending, but they have been apathetic toward automobiles, appliances, and other durable goods. Business inventories were high, and business men have been liquidating their stocks. Capacity out-

Serving the Paint Industry



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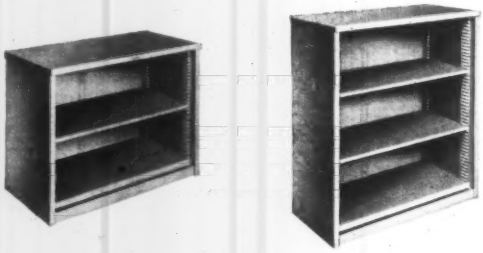
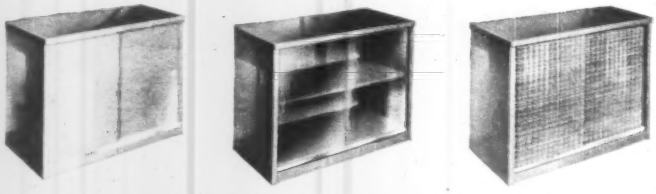
29" and 42" Cabinets



29" and 42" open face models — no doors



29" models with steel, glass or "Borite" sliding doors

42" models with steel, glass or "Borite" sliding doors

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stripped demand in many industries, and a number of companies decided to catch their breath before embarking on additional expansion programs.

These did not strike the Administration as the sort of problems that would readily respond to a general tax cut in excises and in individual and corporate income tax rates. The Administration was eager to liberalize depreciation allowances to encourage business to undertake modernization programs. But it came to the political realization that it could not initiate the depreciation proposal without opening the Congressional door to massive general tax cuts.

The tax cut supporters insist that their antidote should be administered in the early stages of a recession. Since their advice wasn't taken at this time, there will be no clinical evidence to prove them right or wrong when the next recession comes along.

Accent on self-help

Perhaps Mr. Eisenhower's rejection of a tax cut will dispel the curious mystique that had begun to develop around a tax reduction as an anti-recession weapon. Many business men last Winter had come to believe both that a tax cut was inevitable and that, if enacted, it would guarantee recovery. The Administration had helped to create widespread faith in the power of a tax reduction by repeatedly claiming that the unplanned but well-timed January 1954 individual income tax reduction and excess profits tax expiration helped to end the 1953-54 recession.

Top Government economists suspect that business reliance upon an eventual Government bail-out weakened the willingness of some companies to take cost, price, and sales measures to stimulate consumer buying. They think that corporate executives simply figured they could stand pat and wait for the Government to come to the rescue.

Mr. Eisenhower believes that the pace of recovery from now on will depend chiefly upon what business men and consumers do to help themselves—since there is to be no fresh Government intervention. He can change his mind, of course, if conditions take an unexpected turn for the worse. But as of now, Mr. Eisenhower is determined that business men and consumers must seek their own salvation. He has repeatedly tried to tell them so. Whether he has convinced them—and whether his battle plan will work—should come clear before much more time has passed.

—Joseph R. Slevin

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Italic Styling **BY GF STUDIOS**

JULY 1958

MEET A MATERIAL SO TOUGH IT PROTECTS STEEL PILES . . . .

Twenty strokes per minute, ten hours a day, the nine-ton hammer of this giant pile driver smashes down on a disk of National Vulcanized Fibre. To protect steel piles from splitting or buckling, the two-inch-thick laminated disk withstands this battering for a full ten hours. Here's proof that Vulcanized Fibre is one of the strongest materials known, per unit weight. But the really important thing is Vulcanized Fibre's versatility. You can prove this for yourself. Send for our new kit of samples and give them your toughest tests. You'll most likely find a product-improving idea. Others have—for 99 years.

Here's the disk that takes the battering

Vulcanized Fibre is *recognized* as one of the strongest materials known, per unit weight. The really surprising thing about this rugged, rough-duty material is its use in thousands of critical applications: delicate instruments, chemically inert suture reels, arc chutes for lightning arrestors, flexible backings for abrasive disks, torque-resisting cams and gears, insulation for railroad signal relay systems. The list of applications is almost endless.

Our own Kennett Materials Handling Receptacles and Lestershire Textile Bobbins get their light weight, glass-like smoothness and long life from Vulcanized Fibre.

Among engineering materials, Vulcanized Fibre is unique and surprisingly low in cost. It weighs only half as much as aluminum. It absorbs sudden repeated shocks and impacts without failure. It has outstanding arc resistance, low thermal conductivity, excellent resilience and high abrasion resistance. And it can even be formed or deep drawn into intricate shapes—as well as machined, polished, painted, embossed and combined with other materials, such as aluminum, wood, rubber, or copper! It is available in many forms and sizes.

Send for samples today—and ask about the use of Vulcanized Fibre in any product that's giving you trouble. Write direct to Dept. 1-7.

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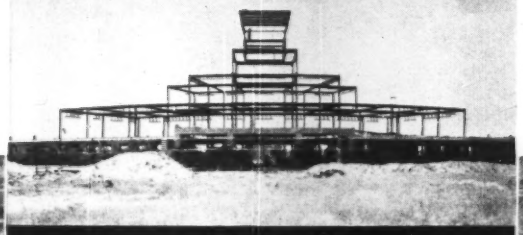

. . . to finish . . .

. . . we at **Sullivan & Cozart** can always count on **INTERNATIONAL SERVICE"**

"and, as at **Standiford Field** in Louisville, that's important to an operation such as ours"

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says DAN SULLIVAN, Sr.,
President
Sullivan & Cozart,
General Contractors
Louisville, Kentucky

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Steam Generating Plant – Louisville Hospital Center
Addition to W. T. Grant Store – Louisville, Kentucky
Addition to J. C. Penney Store – Louisville, Kentucky

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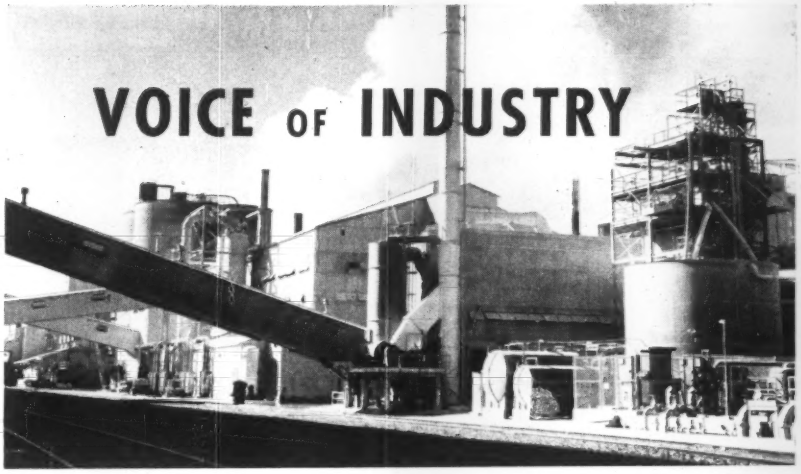

- **How can business get the consumer in a spending mood?**
- **What's one major industry doing to capture new markets?**
- **How does a big company tackle the cost-cutting job?**
- **What should we do to keep pace with Soviet research?**

The Customers Are Bored

CHARLES H. BROWER, *president, Batten, Barton, Durstine & Osborn, Inc., before the 23rd annual convention of the National Sales Executives.*

I am skeptical about this thing we are in—this thing that is about to "saucer out" or "bottom out"—this recession or depression or whatever.

I am afraid that it may be deeper and more long-lasting than the experts have said. There never was a depression before when prices continued to climb. There never was a depression before when people had money, but wouldn't take it out of the bank. I think the economists are all wrong, because this is not an economic thing. I think people are just bored with us, and the things we sell, and the way we sell them.

If you will permit a corny metaphor, I think our economy is a three-stage rocket. Manufacturing gets it off the ground, distribution puts it into outer space, but unless the final stage—sales—fires at the right time, nothing is going into orbit!

At the present time our rocket is stranger than anything ever seen at Cape Canaveral. It just sits on its pad and whimpers, and nobody knows where or why the countdown stopped.

The mediocrity of salesmanship is only a part of our national pattern of always being willing to settle for something less than the best. For this, in America, is the high tide of mediocrity, the great era of the goof-off, the age of the half-done job. The land from coast to coast has been enjoying the stampede away from responsibility. It is populated with laundry men who won't iron shirts, with waiters who won't serve, with carpenters who will come around some day maybe, with executives whose mind is on the golf course, with teachers who demand a single salary schedule so that achievement cannot be rewarded, nor poor work punished, with students who take cinch courses because the hard ones make them think, with spiritual delinquents of all kinds who have been triumphantly determined to enjoy what was known until the present crisis as "the new leisure." And the salesman who won't sell is only a part of this over-all mess.

We have got to work, or a stronger nation may put us to work. And to get to work, we have got to rediscover what millions used to know: there is a great thrill in work well done.

The usual answer, "We've got to get in there and sell *harder!*" is nonsense if

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$299 COMPLETE

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- Complete bearing control throughout
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Lifting heights to 160"; capacities to 3,000 lbs.

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IBM MANAGEMENT INTERVIEW

Mr. Richard S. Wolff, President, Camloc Fastener Corporation, Paramus, N. J.

For the world of small business —

IBM PUNCHED CARDS BRING BIG SAVINGS

"Electronic computers are fine for the larger companies, but what about us?" ask many small-company executives. "*We* need to cut paperwork costs and get information fast, *too*."

Here in an interview with key executives of a growing, progressive company you'll find the answer to that challenge—simplified IBM punched card methods that bring profitable results to many areas of one business.

The company is Camloc Fastener Corporation of Paramus, New Jersey, manufacturers of quick-operating fasteners for industry. The executives are: Richard S. Wolff, President, Theodore A. Barkauskas, General Superintendent, Wm. E. Bracey, Eastern Sales Manager, and Henry Cooper, Office Manager.

Q. Mr. Wolff, what were some of the problems you faced before you installed IBM punched card accounting?

A. Our growth was far outrunning our ability to control the operation. We couldn't get the information we needed to analyze sales or plan production. Invoices and statements were far behind. And as you might guess, customer service was suffering.

Q. Which of these areas would you say caused the most difficulty?

A. They're all tied together. We were trying to overcome the difficulties inherent in any manual system. Our business was expanding quite rapidly and we were running out of room in which we might put additional people. At this point, we decided to investigate machine accounting. We looked into several different types and found that IBM punched cards offered both the detail and control we needed.

Q. **How do you use these punched cards?**

A. We punch customers' order information in the IBM cards and then we use the information over and over again to produce the documents and reports we require. This includes packing lists, invoices, accounts receivable, updated production reports and sales analysis.

Q. **Did you anticipate when you started that you'd be using the punched cards for so many areas of your business?**

A. To some extent. But what really surprised us was the speed and ease with which these documents and reports could be made available. We just have to punch the data once—and it's machine processed from there on.

Q. **Can you point to specific benefits of your IBM operation?**

A. Yes. Many. We were as much as a month behind in our statements. Now they're in the mail the first business day of each month even though now we are handling twice as many orders and twice as many shipments as we were before. We're able to advise our customers speedily and accurately of the status of their orders. In other words, we're *controlling* the business now; it's not controlling us.

CAMLOC REPORTS BENEFITS IN MANY AREAS...

RECEIVABLES: "Now we get every bill out the day after shipment—and we've added 25% to our working capital by bringing the funds in sooner."—Richard S. Wolff, President.

CUSTOMER SERVICE: "As soon as we put the IBM system to work the complaints ceased, the phones stopped ringing, customers were getting their shipments on time."
—Wm. E. Bracey, Sales.

BILLING: "Our clerical costs today would be four times as great without the IBM system."—Henry Cooper, Office Manager.

PRODUCTION: "Our records used to be from a week to a month late. Now we know what our requirements are for each week eight weeks in advance."
—Theodore A. Barkauskas, General Supt.

SALES: "We are able to give our field representatives analyses never before possible—as an automatic by-product of our billing."
—Wm. E. Bracey, Sales.

INVENTORY: "We've been able to reduce our investment in inventory by 10%."
—Richard S. Wolff, President.

IBM DATA PROCESSING

INTERNATIONAL BUSINESS MACHINES CORPORATION
590 MADISON AVENUE, NEW YORK 22, NEW YORK

Vital reports are produced with this compact IBM punched card installation for Camloc's Office Manager Henry Cooper, Wm. E. Bracey, Sales, and General Superintendent Theodore A. Barkauskas (l. to r.). Operating the key punch is Eleanor Frenzel.

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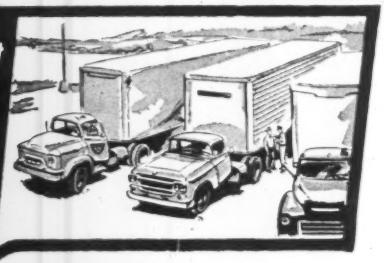

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Get details. Mail coupon for Bulletin SU-3.

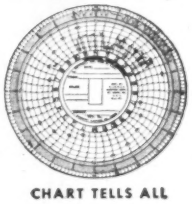
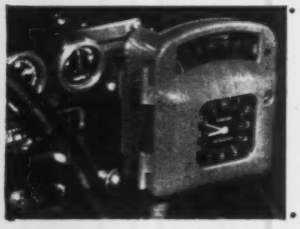


CHART TELLS ALL



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by "hard sell" you mean nothing more than high pressure. There is really no such thing as "hard sell" and "soft sell." There is only "smart sell" and "stupid sell."

What's Happening in Oil Research

M. J. RATHBONE, *president, Standard Oil Company (New Jersey), at 76th annual shareholder meeting.*

The end purpose of our business is to sell oil, and the lifeblood of sales is continually to develop new products or new uses for traditional products, an area in which we have begun a world-wide program of research. We are hopeful that work now in progress will help convince many customers that they can conveniently and economically cool and heat their homes with oil on a year-round basis. Research is going forward on methods of using oil to melt snow at large installations such as airports and parking lots, to kill fungus on banana plants, to protect orchards from frost, to control evaporation from water reservoirs, to improve methods of irrigation, and to use asphalt as a structural building material. Some of these and many other ideas may come to dead ends, but some are just as likely to develop into profitable operations for the future.

How RCA Cut Its Costs

JOHN L. BURNS, *president, Radio Corporation of America, at 39th annual shareholder meeting.*

When the softness in business first appeared last year, we at RCA began reducing the costs of our operations wherever possible and searching out new means of trimming expenses. We are continuing to do so.

Here are some of the specific actions we have taken to reduce operating costs: (1) completely analyzed management controls; (2) reviewed all lines of our business individually for profit improve-

ment; (3) improved inventory controls; (4) put into effect an aggressive program to control and reduce paperwork throughout the corporation; (5) set up a program of automation in the handling of clerical information so as to help speed up management decisions; and (6) inaugurated a program of organization analysis aimed at strengthening our operations.

As a result, we are in a good competitive position today to take advantage of the opportunities opening up for the industry.

We believe that the best way out of a recession is to sell your way out. That is exactly what we intend to do—to sell our way to higher volume and higher profits. To accomplish this goal, we have developed a three-point program.

First, we are expanding our existing activities that show promise of returning a fair profit. Second, we are creating new departments to go after business in certain key areas. Third, we are introducing important new products and services that will create new markets.

Wanted: A U.S. Research Institute

J. B. O'CONNOR, *president, Dresser Industries, Inc., at St. Bonaventure (N.Y.) University.*

If we are to retain technical superiority in the world, we must be able to compete with the science and research of the Soviet Union and its satellites. This can be done effectively only by joint cooperation in the American business community.

It is my firm belief that U.S. industrialists should pool their resources to establish an institute which will function in the same way as the Soviet Academy of Science. We should have at the service of this nation a central Research Institute through which will be funnelled all of the technical and scientific data available in the entire world. This institute should do our long-range planning and research.

We do not have this. We *must* have it or we will be out-done by our competition. We must act together before it is too late. We must keep our eyes open, recognize the situation, acknowledge the abilities of others—and meet the competition head on.

When you ship, title passes, and your credit risk begins

At the time of shipping, you create an account receivable . . . and unless you have credit insurance . . . your insurance protection ceases. You lose control of the asset because title of the merchandise has passed. It is sound to insure your product while you own it . . . it is equally sound to insure it when your customer owns it . . . and owes *you* for it. Aggressive executives, through American Credit Insurance, continue protection of their working capital and profits invested in receivables. It is an important tool for constructive credit management. Our booklet on the many ways credit insurance contributes to financial security and sales progress should interest *you*. Write AMERICAN CREDIT INDEMNITY CO. of New York, Dept. 50, 300 St. Paul Place, Baltimore 2, Maryland.

Protect your capital and profit invested in accounts receivable with **American Credit Insurance**

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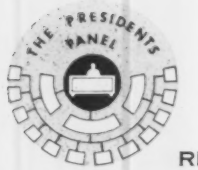


REPORT NO. 7

In the informal court of public opinion, even the most successful companies often fail to plead their case effectively. Here, more than 100 members of DR&MI's new and much enlarged Presidents' Panel tell what they think their companies ought to stand for—and how they work to put that image across.

Creating and Selling
YOUR CORPORATE IMAGE

KENNETH HENRY, *Executive Methods Editor*

» **For the public relations function, the typical DR&MI Panel company budgets yearly expenditures of $117,000—with individual budgets ranging from $5,000 to more than $1 million.**

» **Despite the recession, 68 per cent of Panel companies are "holding the line" on public relations, advertising, and promotion activities, while 28 per cent have cut back their programs.**

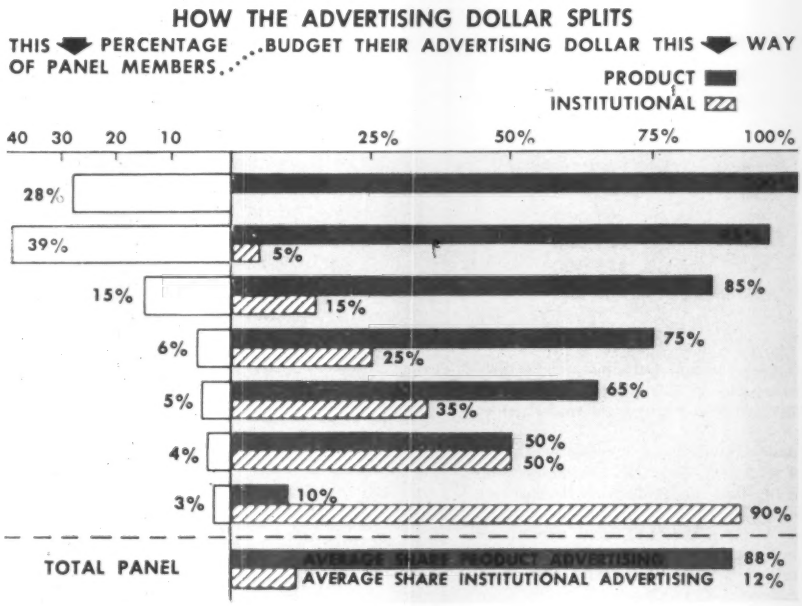
» **On the average, Panel companies allocate 88 cents of every advertising dollar to product advertising, the other 12 cents to corporate or institutional advertising.**

» **To help sell and promote the corporate image, the typical Panel president gives seven or eight public speeches a year—and the chances are he enjoys it.**

» **Only 4 per cent of Panel presidents think their companies are doing a top-notch job in creating the right kind of public impression.**

ON COMPANY balance sheets, good will is often carried at an arbitrary token value of $1—an accounting convention that grossly understates what it costs companies to earn and keep their reputations. Realistic estimates of how much U.S. business actually does spend every year to make itself better known to its multiple publics are hard to come by, and they are usually based on premises relatively long on logic and short on facts. The best current guesstimate puts an annual price tag of $1 billion or more on the total U.S. business public relations effort. Very likely, the bill is far higher, since public relations in the strict sense is by no means the only way in which the corporation puts its best foot forward or sharpens its identity in the public mind. Part of the nation's $10-billion-plus advertising volume does a public relations job—some of it institutional in nature, but with even straight product advertising carrying out a public relations function.

What kind of an impression does business really want to make on its various publics—customers, employ-



An analysis based on all but a handful of Panel companies, who do not budget for advertising or who decline figures, indicates that the typical industrial company on the Panel spends 88 cents of its present advertising dollar for product promotion, the other 12 cents for institutional or corporate advertising. Four-fifths of the companies contemplate no change in current programs. The other fifth foresees a change in the proportion, with the edge favoring more institutional advertising outlays. Reporting companies say their plans are fluid, but that when business is good they tend to give increased emphasis to institutional advertising—which is also used for special purposes, such as improving the identification of a company which has changed its name or become more diversified, or which is seeking new stockholders.

ees, stockholders, and many others? To find out, DR&MI asked the presidents of 162 companies—three-fourths of them among the 500 largest in the U.S.—who are members of the Presidents' Panel.

Most often, these company presidents say the image they try to create in the public mind is above all that of a company making and selling a reliable product at a fair price—as one of them puts it, of "quality products only, which can be counted upon to perform at least as well as the claims we make for them."

Indeed, it is the consensus of the Panel that company prestige begins with the product itself—its quality, reliability, and constant improvement.

Many presidents, however, set more ambitious goals. Taken together, the qualities for which they want their companies to be known add up to an almost endless list of business and human virtues—competence, leadership, quality, integrity, friendliness, vigor, imagination, forthrightness, warmth, responsibility, intelligence, reliability, flair, service, value, progressiveness, and "solid Americanism," among a host of others. They want to be known as the "friendliest company in the area we serve," as "a company with a heart as well as a mind," as contributors "in great measure to the national economy and the industrial progress of the nation."

How deep an impression?

Company presidents concede that their companies don't always wholly succeed in making the public impression the company ideally seeks. Only 4 per cent of the panelists think they are doing an "excellent" job. At the other extreme, fully 4 per cent admit flatly that they are doing a "poor" job. But three-fourths of the companies believe they are doing a "good," "fair," or "satisfactory" job of achieving a positive public identity. Ten per cent rate their efforts "above average." A number of presidents rate separately the effectiveness of their company's impact on its various publics. One company, for example, thinks it is doing a good job with shareowners, employees, communities, and colleges, but that it needs to "pay increased attention" to the financial community, Government, customers, and suppliers. The balance of the appraisals are subjective or sidestep specific evaluations.

Who runs the show?

Where they are not administered by a full-time PR executive, corporate public relations in Panel companies are handled by officials ranging from the chairman of the board down through almost the entire roster of company officers, as well as by other executives. The variety of titles and departmental responsibility runs the gamut of staff functions and frequently penetrates the area of line responsibilities.

An analysis of Panel replies indicates that corporate officers (vice presidents of PR, sales, advertising, finance; board officials; the secretary, treasurer, and senior or executive VP) handle the public relations function in 30 per cent of the companies. Non-officer management (most commonly with such titles as director of public, press, or industrial relations; manager of PR; or advertising or general merchandising manager) handles public relations in 25 per cent of the companies. Another 25 per cent delegate the job to a public relations depart-

AMONG THE DR&MI PANEL MEMBERS ARE THE PRESIDENTS WHOSE PICTURES APPEAR AT RIGHT AND ON THE FOLLOWING PAGE. A COMPLETE LIST WILL BE FOUND ON PAGE 70.

Grant G. Simmons, Jr.
Simmons Co.

Alexander Calder, Jr.
Union Bag-Camp Paper Corporation

Andrew Fletcher
St. Joseph Lead Co.

Frank A. Kemp
The Great Western Sugar Co.

Thomas E. Moffitt
Hooker Chemical Corporation

How Big Is the Panel's PR Budget?

Annual PR budget range	% of Panel	Typical budget (median)
$ 5,000 to $ 50,000	28	$ 45,000
51,000 to 100,000	19	92,000
101,000 to 250,000	30	200,000
251,000 to 500,000	14	375,000
501,000 or more	9	763,000

Exactly three-fourths of the Panel Companies report annual dollar budgets for their public relations functions. The above analysis is based on this group, who annually spend an average of somewhat over $233,000 on PR, with a median budget of $117,000.

It should be noted that the figures above cannot in any sense be taken as a yardstick, since they reflect different concepts of what constitute PR. For budget purposes, at least, companies' definitions of the function vary widely. Some, favoring the narrower view, exclude from the PR budget such items as charitable donations and aid to education. Others, perhaps mainly in the interests of fiscal convenience (as in cases where the top PR executive bears other major responsibilities as well), omit from their PR budgets such a major item as salaries. If anything, therefore, these figures are likely to be on the low side.

Excluded from the above analysis is the fourth of the Panel not reporting dollar budgets. Of these, 10 per cent make no annual PR budget allotments, paying for activities as they arise; 10 per cent decline dollar figures; and 5 per cent combine PR expenditures with advertising, sales, or administration, or give verbal budget estimates that cannot be tabulated.

ment, and an additional 10 per cent combine PR and advertising responsibilities, or assign PR to the advertising department as a subsidiary function. Miscellaneous departments—mentioned by 6 per cent of the Panel—include sales, sales promotion, marketing, and personnel. In 4 per cent of the companies, public relations is decentralized, often to the local plant or community level.

Lines of Responsibility

Determining precisely to whom public relations reports is no easier than determining who handles it. Panel presidents' replies indicate considerable overlap, with PR reporting to various officials on particular activities, and sometimes to executive committees. Most of the time, the president keeps "in close touch" with major activities directly or through subordinates to whom PR reports. Traditionally, of course, PR must cut across formal company channels to do some phases of its job. In 60 per cent of the companies, PR reports directly to the president; in another 25 per cent, to some other corporate officer. Ten per cent of company PR operations report to non-officer managers; and 5 per cent, directly to the chairman or some other Board member. In effect, this may be interpreted as meaning that, in 90 per cent of Panel companies, public relations reports in on the top management level—to the president, other officers, or the Board.

Inside staff vs. outside counsel

Among the corporations on the Panel—a cross-section of large industrials that usually have full-time, organized PR departments—about 35 per cent rely entirely on their own staffs to carry on all public relations activities. Forty-five per cent use outside counsel, more often than not on a part-time basis to supplement their own activities or to act in an advisory capacity. And the rest—20 per cent—use outside counsel occasionally for specific problems, such as foreign promotion, or for special projects, such as the preparation of annual reports—and occasionally for "general consulting while we are preparing a full-time public relations man."

These findings check with those of a 1956 National Industrial Conference Board study of industrial public relations. Outside counsel, according to NICB, is engaged to obtain an objective point of view, technical skills, assistance in meeting peak loads economically, and advice and help on special programs.

The Panel Companies

With this survey report, presidents of 162 U.S. corporations (see list on page 70) begin participating in DR&MI's enlarged Presidents' Panel. These companies represent over $25 billion in total assets and over $30 billion in annual net sales. The typical Panel company (an average) has between 13 and 14 domestic plants and 11,500 employees on the payroll. Exactly 75 per cent of the companies are among the 500 largest industrials in the United States.

Over the coming year, the enlarged Panel will explore several top-priority management problems as well as national issues of concern to the business executive.

Every president does many things personally to promote his company's image. In a sense, every letter the president writes, every phone call he gets or makes, and every personal contact contributes to a gradual, cumulative impression on some part of the corporation's public. Simply because he is the president, and personifies the company inside and beyond

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Charles J. Haines
Chemetron Corporation

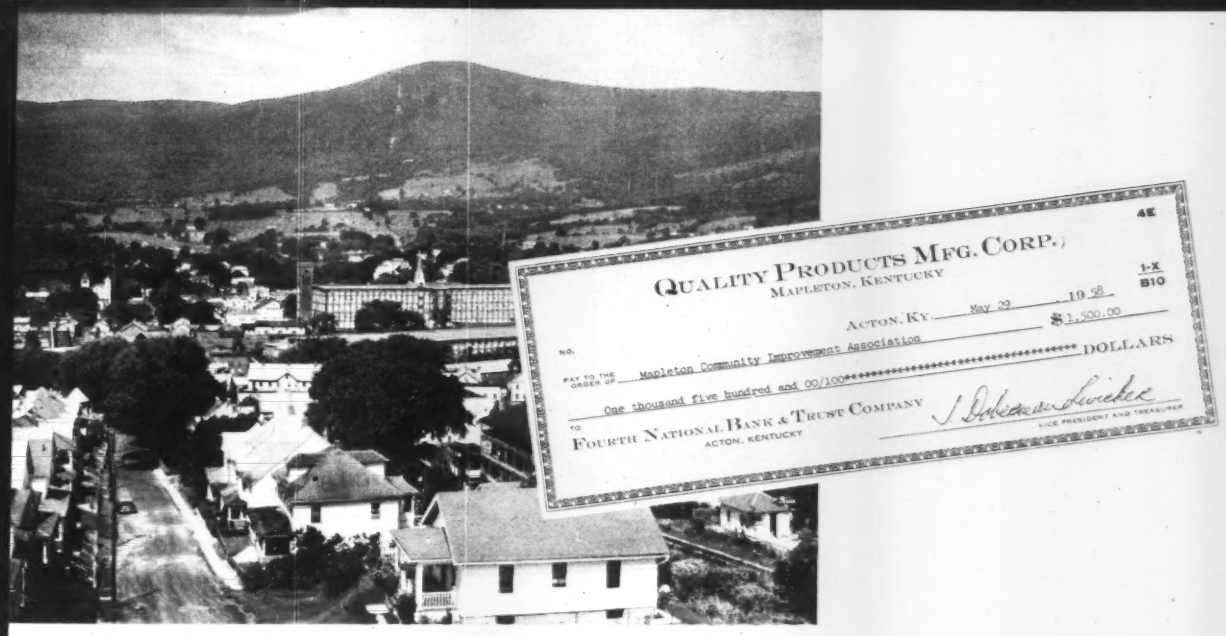
Don G. Mitchell
Sylvania Electric Products, Inc.

R. B. Semple
Wyandotte Chemicals Corporation

Fred R. Sullivan
Monroe Calculating Machine Co.

Guy T. Avery
Acme Steel Co.

Clyde B. Morgan
Rayonier, Inc.



Business Giving Can Backfire!

WAYNE G. BROEHL, JR.
The Amos Tuck School of Business Administration, Dartmouth College

Companies are giving much thought to their social responsibilities nowadays—and rightly so. But if you don't temper generous intentions with cool business judgment, you can get into hot water fast.

IN A FEW short decades, American business has passed from the age of the robber barons through an era of enlighted self-interest into a new age —the age of "social responsibility." Business men are asked to assume wide responsibilities in the community, to support charitable and educational efforts, and to run their companies "ethically" and "morally" in accord with values set by society. And, increasingly, they are doing just these things. Corporate giving to education, for example, is up 95 per cent over two years ago, according to a recent study by the Council for Financial Aid to Education.

Never before has the business man been so willing to adopt the role of full-scale "corporate citizen"—to apply the collective energies of his company to problems outside his business. The results have been remarkably beneficial.

But there is something dubious about many of these public espousals of business morality. In the business man's headlong rush to embrace all that is implied in social responsibility, he is in danger, not only of giving to excess, but also of subtly altering his own values. Two simple examples will illustrate how this can happen:

Mr. X is president of a medium-size machinery-manufacturing company. He is also the majority stockholder. Noted in the past for taking a hard "dollars-and-cents" attitude toward expenditures, he was persuaded by members of his luncheon club to contribute—rather heavily—to the local college. But outsiders couldn't believe he had really changed. They "looked for the angle." Hurt by this unexpected reaction, Mr. X soon became defensive about his gift and attempted to justify both his own contribution and all corporate gifts to education at every opportunity. Unfortunately, this only magnified the problem. Now, the outsiders began to accuse him of being "pious" and "moralistic." The experience permanently soured Mr. X on the whole matter of business giving.

Mr. Y is chairman of the board of a large national company. Freed from the operating responsibility he had held as president, he soon found that in the "elder statesman" position of board chairman he had lost some of the prestige of being the boss. Though he realized that the operating officers were directly responsibile for profit performance, he began exhorting them to take "the broad view," to be "socially conscious." Often these pronouncements failed to meet obvious requirements of sound business procedure (as he would have been the first to point out when he was president). Soon his effectiveness diminished—his advice had become automatically suspect because of his self-righteousness.

Too frequently today, this zeal to "be good" has clouded the business man's perspective on the external relations of his company. As a result, the concept of social responsibility stands a very real chance of being perverted through misuse, and the genuine gains in business responsibility

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Magnets Move Ahead in Industry

MELVIN MANDELL, *Industrial Editor*

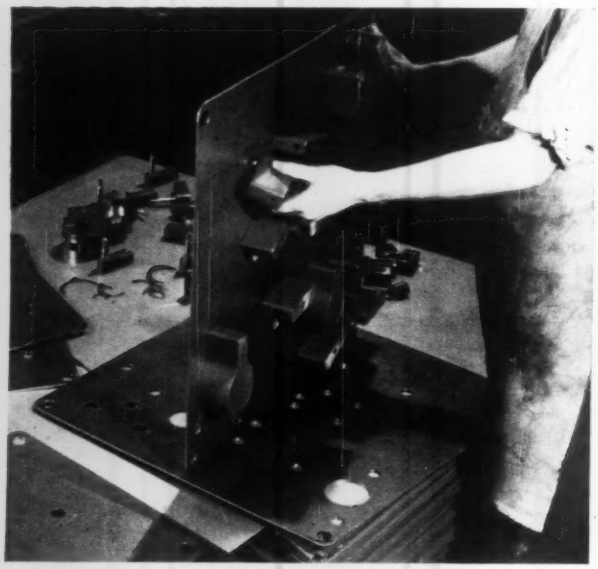
CONTINUED ADVANCES in magnetic materials—both for permanent magnets and electromagnets—are stimulating widespread applications in unusual product development and flexible production machinery. The major use of magnets, of course, is in electric motors, of which hundreds of millions are now constantly at work in the United States and abroad. But magnets can do many other jobs besides this essential one—as the photos and the table on these pages show.

The $10-billion electronics industry, for instance, is completely dependent on magnetic materials. All the big new computers on the market have "memories" based on pinhead-sized, doughnut-shaped magnets.

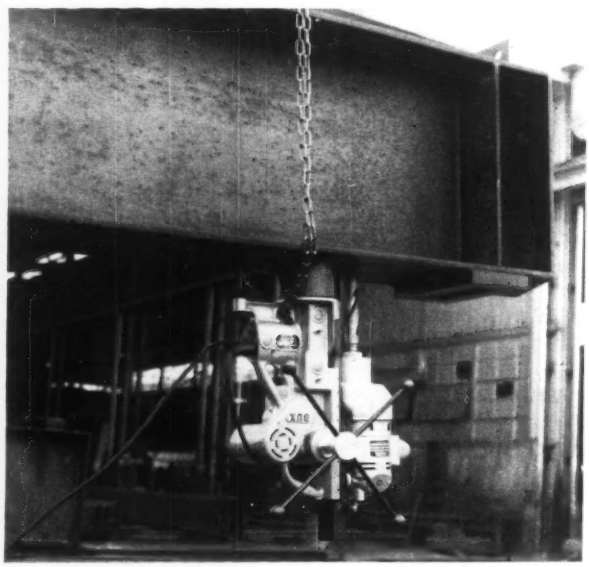
The big research effort now going into new magnetic materials should accelerate this new product development. Magnets that don't contain an atom of iron are commonplace today. Once thought of only as metallic, magnets now come in the form of ceramics, plastics, and rubber. One of the latest advances is the manufacture—using Cunife, an alloy of 60 per cent copper and 20 per cent each of nickel and iron—of permanent magnets drawn to a diameter far thinner than a human hair. I. L. Cooter and R. E. Mundy of the National Bureau of Standards in Washington worked out the manufacturing technique. Another growing magnet fabrication method is sintering, which permits easy fabrication of magnets of odd and complicated shape.

Because of steel's leadership among materials, the metalworking industry has turned up a multitude of cost-saving uses for the new, powerful permanent magnets and electromagnets. A tool, jig, or gage can be dropped on to a part and held firmly by magnetic force, eliminating the need for fastening. When the job is done, the operator either disconnects the power to an electromagnet or slips off the permanent magnet. END

MAINTENANCE: *After an office or factory has been in use for a while, equipment is frequently shifted. G-E's magnetic insert finder locates electric-wire steel duct outlets buried in floor.*

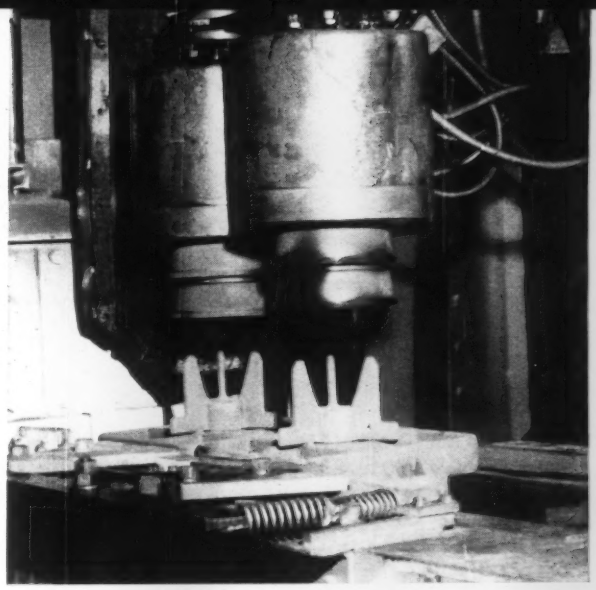


QUICK-CHANGE DIES: *These interchangeable punches and die parts, made by S. B. Whistler & Sons, Buffalo, N.Y., are magnetized to stick to steel templates cut into stamping pattern.*



UPSIDE-DOWN DRILLING: *This Bux magnetic holder enables operator to drill underside of heavy beam without turning it over. The chains are safety measure in case power loss releases magnet.*

FILTERING: *Electromagnetic vibrators shake particles through a fine screen in this sifter made by United Specialties Company of Illinois. Vibrators are used in making coffee and detergents.*



MATERIALS HANDLING. *The two magnets at the top are about to drop four bearing cones on to holders for loading into a rotary heat treating oven at Timken Roller Bearing Co., Canton, Ohio.*

COOKING: *Eddy currents set up by magnetic rotors heat or mix on separate "burners" of this unusual magnetic stove. A European development, it is being evaluated by Tuttle & Kift, Cleveland.*

QUALITY CONTROL: *"Iron spotting" of ceramics is avoided at the Carteret (N.J.) China Company by use of this Eriez magnetic trap, which captures tramp iron fragments in a ceramic slip pump.*

Products That Depend on Magnetic Materials

Noncontacting stirrers for chemical labs
Vibratory conveyors and feeders for granular materials
Portable overhead drill presses (see photo)
Vibrating screens (see photo)
Magnetic perforating die (see photo)
Pulley magnet for tramp metal
Grate magnet for tramp metal
Seals
Flowmeters
Corrosion-inhibitors
Pumps for molten metals
Stoves (see photo)
Clamps
Railroad car rappers (to unload granular materials)
Steel duct detector (see photo)
Door locks for refrigerators and furniture
Liquid level control
Magnetic cleaners for factory floors and airport runways
Motors
Motor drives
Clutches
Transformers
Computer memories
Amplifiers
Scrap metal cranes
Metal inspection devices
Stacking stands in steel warehouse
Computer circuits
Scrap removal in stamping presses
Assembly tables
Gage holders
Nail-gripping hammers
Microphones and loudspeakers
Recording tape

Getting More Mileage from Indirect Labor

WHEN MANAGEMENT makes up its mind to do something about labor costs—a decision more and more companies are taking as the profit squeeze continues—incentives often look like a sound long-range answer. And so they are—up to a point. Given a manufacturing operation suited to incentive application, and a carefully tailored program, management typically has smooth sailing in the direct labor area. Then, when it tries to extend the incentive program to indirect workers, it's likely to run aground.

That's not to say that workable indirect labor incentive programs are an impossibility. In point of fact, there are quite a few in operation today, with a record of substantial—if not always easily measurable—savings. But these are mostly one-of-a-kind systems, and they're frequently a good deal too complex for comfort.

One company that seems to have come up with a successful and relatively simple answer to this problem is Rome Cable Corp. ($40 million annual sales), Rome, N.Y. The Rome Cable program has two goals: to reduce labor costs through more efficient use of non-productive help, and to increase the earning power of all the company's indirect labor employees.

Over-all, the indirect program is divided into two parts—one for maintenance employees and one for production indirect employees (including the shipping and receiving departments).

Key to the system

Better manpower utilization is obtained through the use of earned hour control reports. There are two types of reports—one for maintenance employees and one for indirect labor employees. The maintenance reports show whether or not various jobs are being performed in a reasonable amount of time, while the indirect labor reports show the amount of effort being expended. Both the earned hour time—the time allowed to do any job—and the actual time taken are shown on the reports. If the earned hour time is low and the actual time is high, the operation is not being performed properly. When the earned hour and the actual time balance out you're operating at top efficiency—100 per cent.

Other advantages of the system are that it permits supervisors to measure the backlog of work and, in the maintenance department, to plan the work of each employee to a much greater extent than had been possible before the installation of the program.

Rome Cable's first step in setting up its maintenance program was to establish an adequate work-order system for requesting authorized work. Under a detailed priority plan, work orders for maintenance or repair work are rated according to the importance of the jobs.

Keeping tabs on costs

Less important jobs are assigned low priorities, in order to give maintenance foremen maximum flexibility in scheduling their men's work. Of course, maintenance work on the most important production machinery is given top priority.

Charge numbers and job codes are assigned to the work orders for cost and performance standard purposes. Use of job numbers pinpoints the amount of maintenance time required on each machine. It also gives manage-

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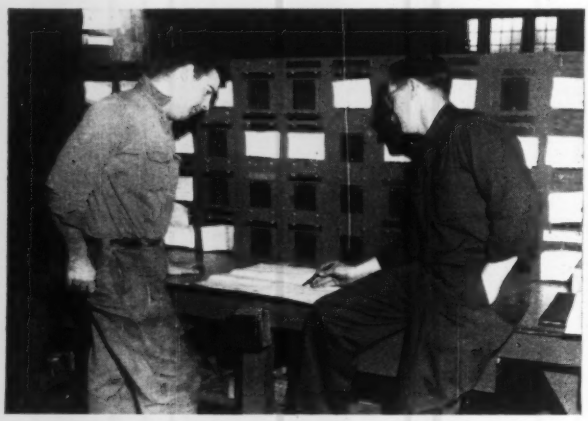

A TAYLOR-TYPE PLANNING BOARD *is used to keep track of the many job assignments. One board is provided for each craft (plumbers, electricians, and so on) and clips represent craftsmen. Work orders are checked by foremen, who make up schedules.*

EARNED HOUR CONTROL REPORTS *for the maintenance department show whether various jobs are being performed in a reasonable period of time. Reports show both the estimated time per job, based on work-sampling studies, and actual time needed.*

STRICT BUDGETARY CONTROL, OBSESSION WITH WASTE ELIMINATION
A. C. Gilbert, Jr., A. C. Gilbert Company

WATCH COST CLOSELY AND DON'T PANIC
Henry H. Rand, International Shoe Company

HAVE A GOOD FORWARD PROGRAM—FIVE YEARS AT LEAST
James F. Clark, ACF Industries, Inc.

THE "BETTER MOUSETRAP" IS THE MOST PRACTICAL FORMULA.
Samuel F. Hinkle, Hershey Chocolate Corp.

NEW PRODUCTS COUPLED WITH INTENSIFIED SALES EFFORT
Robert S. Oelman, National Cash Register Company

PLANNING TO BALANCE SHORT- AND LONG-RANGE GOALS
Glen B. Miller, Allied Chemical Corp.

How to Fight a Recession

No single formula holds the secret of business success for every company, but here are some practical suggestions based on what the top executives of U.S. industry are actually doing to keep ahead of competition.

TO MEET the "temporary requirements of the recession," said Gilbert W. Chapman, president of the Yale & Towne Manufacturing Company, at the recent annual stockholders' meeting, his company is "currently pursuing two objectives. The first of these is to operate with maximum efficiency and economy to obtain as much profit as possible at the lower level of business. The second is to avoid impairment of our organization so that we may have the trained personnel to move quickly and decisively ahead as the country recovers from the recession."

Comparing his company's present situation with its prospects for the future, Chapman added, "I have a strong sense of caution with respect to the present, but I have never been so confident in the long-range potentials."

Chapman is a member of DR&MI's Presidents' Panel of more than 100 chief executives of America's leading industrial companies. To a large extent, his views reflect what many other panelists told DR&MI privately in reply to the question, "What do you think is the most practical formula for business success during an economic setback?"

Of course, recession problems vary. And some companies in such industries as food, drug, tobacco, and certain growth electronics fields—to name a few—that may be reporting record earnings so far this year seem to have no problems. But even the thriving companies are scrutinizing costs and reexamining management techniques. As Dana Corp.'s president John E. Martin told DR&MI, "There is no overnight formula. The foundation for business success in an era of recession must have been laid years before. Good organization, adequate cost control, good salesmen, creative engineers—all are essential."

A double approach

Polled for their view of what companies should do during a setback, the presidents mention two main lines of attack on a recession: new products and the hard sell. And almost unanimously, they recommend reinforcing these measures with relentless cost cutting—but not at the expense of the company's sales or research efforts.

A typical comment comes from James G. Shennan, president of Elgin National Watch, "Sell hard and slash overhead."

But above all, presidents are putting their faith in new products and their company money in the research to expedite them. One president, Charles H. Percy, of Bell & Howell, who reports that 79 per cent of 1957 company sales came from products introduced within the last five years, told DR&MI that "25 per cent of 1957 sales are of products introduced in 1957."

Of course, a new product's success is far from a sure thing. As Richard D. Crisp recently pointed out in DR&MI (March 1958, page 34), even the often-cited odds of four to five against the success of a new product may be greatly underestimated. These odds, he says, are based on reports from 200 large consumer manufacturers—all, presumably, with

skilled staffs and plenty of experience in launching new products.

One key problem of the softer market—and one of the objectives of new product research—is to find out what the buyer wants. In a recent press conference, President Eisenhower commented, "I personally think our people are just a little bit disenchanted by a few items that have been chucked down their throats. . . . I think it would be a very good thing when manufacturers wake up—and I am not going to name names—and begin to give the things we want instead of the things they think we want."

Some researchers believe that consumer taste is undergoing a major shift—a view which gains support from the report that American Motors' Rambler sales have soared 69 per cent against an over-all industry sales dip of about 25 per cent.

Among Panel presidents who underscore the importance of more intensive consumer research, Armstrong Cork's Clifford J. Backstrand urges business to give "increased emphasis to uncovering consumer wants through market research, coupled with intensified effort to fill those wants with new and improved products, and a determination to increase efficiency and lower costs wherever possible in all areas of activity."

Companies surveyed by DR&MI are putting more dollars, time, and effort this year into process, product, and marketing research to improve and broaden product lines and make them more marketable and profitable.

Return to the hard sell

But obviously, it takes time to design, test, and produce new products. For more immediate payoff, company presidents repeatedly report that their answer to a soft market is the hard sell.

One company, the smallest on DR&MI's Panel, made sales gains last year of 50 per cent over 1956—and expects to pass the $15 million mark this year. Howard S. Cohoon, president of the Dumas Milner Corp. of Jackson, Miss., attributes his company's success to good products—and salesmanship. "Psychological or not," he says, "I prefer to look at the tangible explanation and believe the slump is a result of buyers being more practical—selectively weighing their purchases against their needs. With the judicious use of salesmanship and sales tools, we can put the consumer into the frame of mind to buy."

Since the consumer is currently well-heeled—individual savings are at a record level of about $342 billion—business's chief immediate objective is to prod the consumer off this nest egg. Consumer spending, many industries think, is the answer to the slump.

Firming up sales

Several presidents look upon the economic slowdown as an opportunity to improve their market position. President Steele L. Winterer of A. & M. Karagheusian told DR&MI that "it's easier to make gains in difficult business periods than in easy ones." Other presidents are emphasizing the hard sell "to maintain liquidity" or, as George H. Coppers, president of National Biscuit Company, says, "to keep plants operating. This may mean temporarily adding a new line of products, but every effort should be made to keep plants operating." Another Panel president, Wallace L. Pierce of Boston's S.S. Pierce Co., sums it up this way: "Tighten the expense belt and concentrate on hard selling."

U.S. Steel is focusing attention on cost cutting. Not long ago, the company set up a suggestion plan with a $10,000 top award for nonmanagerial employees. According to the company's president, Clifford F. Hood, the prizes will reward "suggestions which effect reductions in cost, waste, maintenance, and hazards to health and safety; or which increase product utility, quality, yield, or production; or effect conservation of materials, energy, power, or time." Awards will also recognize ideas for new sales and new sources of revenue, among other things.

Trim off the fat

One DR&MI Panel president, Walther H. Feldmann of Worthington Corp., says now is the time to "clean house of wasteful practices and marginal employees and to increase product development and organization training." Or as American Viscose's president, Gerald S. Tompkins, told DR&MI, now is the time to "reduce operating costs, except selling; and to

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Sound Grounds for Confidence

The business men and economists who compose the Rockefeller Brothers Fund panel share the belief of DR&MI's panelist-presidents that despite current setbacks the U.S. economy is basically healthy and the future looks good for those with a will to make it so. Here are some highlights from the Rockefeller report, The Challenge to America: Its Economic and Social Aspects.

- The past performance of our economy has been impressive. Over the 75 years before World War II we doubled our national output about once every 24 years. Since World War II we have been growing at an even faster pace: at an average yearly rate which promises to double our output every eighteen years. Even our most recent rate of advance can be bettered.
- In combating the recession, we must not overlook or disregard the basic strength of the American economy. Conditions today are structurally different and sounder than they were in the 1920's. But we must not be complacent. We should make the present setback the occasion for a step forward toward our over-all objective of stable growth.
- Consumer incomes for the nation as a whole are still high and accumulated savings are higher than ever. Consumers have shown their willingness to buy when offered attractive values. Funds for investment are available at lower cost than a year or two ago.
- Some business men are now demonstrating that by introducing new products, by selling aggressively, and giving better values, they can expand their volume, increase profits, and provide more employment. There is an opportunity for many to profit by these examples. Business men should not wait passively for Government action.

Construction: Pace-Setter for Prosperity

HERBERT C. ROSENTHAL

Signs today point to a coming boom in the construction industry, No. 1 customer of scores of other businesses. Here's how this powerful economic force may transform your markets in the years just ahead.

HOW SOON WILL U.S. business feel the first welcome signs of the promised economic upturn? How fast —and how far—will the economy recover from the setback of the past months? If you're interested in either or both of these questions, here's a tip from the experts: Keep your eye on construction.

There are two reasons for this advice. First, construction is what economists call a "leading indicator." Second, its giant size and bright future promise to provide a mighty boost to our whole economy. As the charts on the next two pages show, construction generates activity equal to 15 per cent of our gross national product. It is the leading customer for scores of industries.

People mean houses

Favoring further expansion in construction and U.S. economic life in general is our continuing population boom. As the charts (overleaf) show, this practically insures a rising demand for new houses (increased residential construction). More people also mean more and bigger businesses to supply their needs (increased industrial and commercial construction) and more highways, schools, hospitals, and other state services (increased public construction).

How the construction process works has been well described by Arthur F. Burns, president of the National Bureau of Economic Research, in the Bureau's thirtieth annual report:

> Practically all construction projects are built to fresh specifications. Each requires a new site on which a temporary factory, so to speak, is set up and a work-force assembled. Hence any increase in spending on construction is reasonably certain to add promptly to the number employed. Not only will employment increase, but in view of the long period required to carry out construction projects, the increase will be sustained for months, sometimes years. . . .
>
> . . . If the rate of initiating construction is maintained at the new level, an increasing number of [building materials] dealers will expand their purchases and more and more producers will expand their output. In the long run—which may need to be reckoned in years rather than months—orders, production, employment, shipments, inventories, and related business factors will be generally higher throughout the constructional trades.

Despite a drop-off since 1955 in the number of new houses built, the over-all total dollar value of all types of construction has increased steadily for fifteen consecutive years. The number of contractors and subcontractors has also increased—from 176,800 in 1945 to 478,000 a year ago, according to the U.S. Department of Commerce.

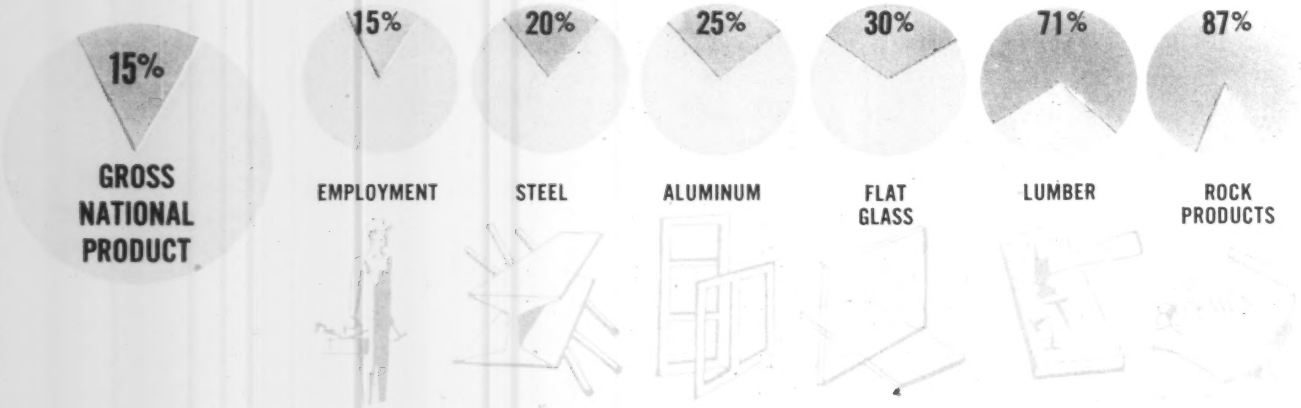
Many of these are relatively small operators, doing a house or two or small-scale remodeling jobs. But almost 9,000 of these contractors had at least $100,000 in heavy construction contracts in 1956, according to *Engineering News-Record*. Almost 3,000 of them booked new business of $1 million or more in the year of 1956 alone.

In addition to the builders, over 5,500 architects, consulting engineers, and architect-engineers planned $100,000 or more in projects for contractors in 1956. And according to the latest census, 6,100 materials distributors, 4,304 lumber and millwork dealers, and 1,640 construction equip-

text continued on page 44
charts on following pages

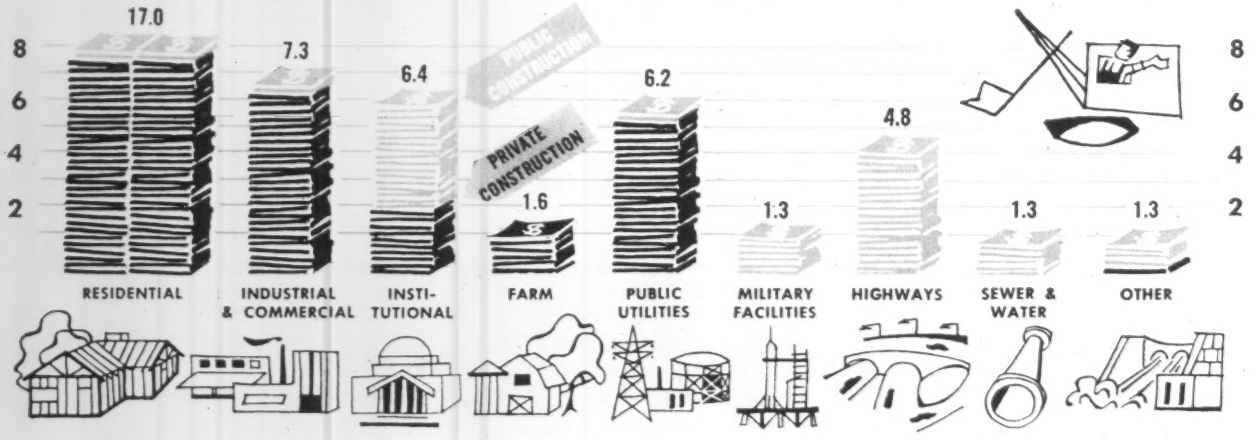
1 CONSTRUCTION'S IMPORTANCE TO THE U.S. ECONOMY

(% OF TOTAL ACTIVITY ACCOUNTED FOR BY CONSTRUCTION)

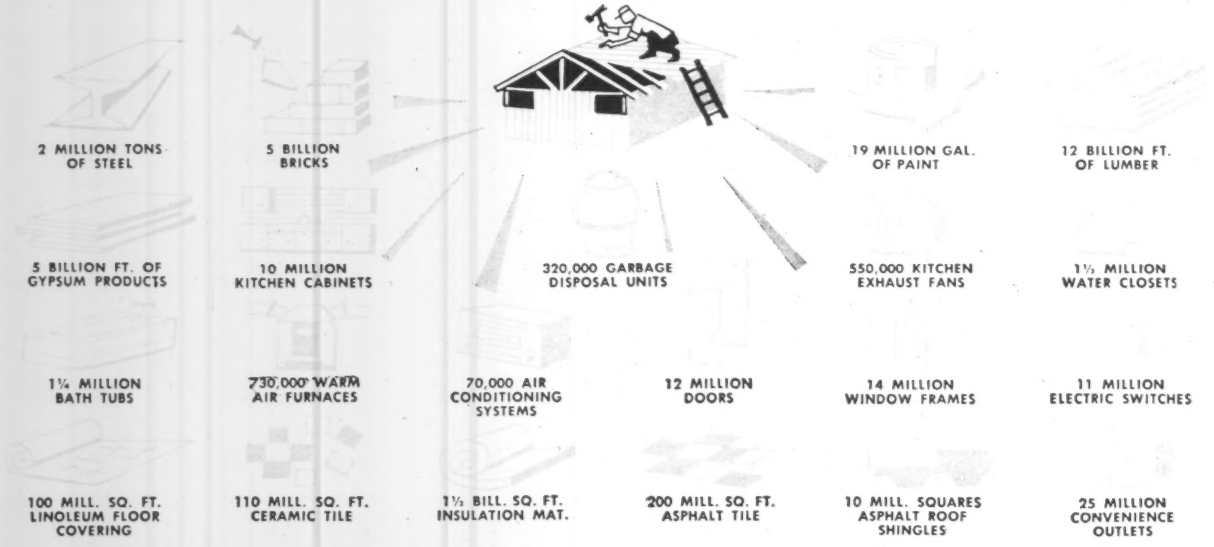


HOUSING LEADS THE CONSTRUCTION PARADE

(SCALE IN $ BILLIONS OF VALUE FOR 1957 NEW CONSTRUCTION)



3 WHAT IT TAKES TO BUILD 1 MILLION NEW DWELLING UNITS


2 MILLION TONS OF STEEL
5 BILLION BRICKS
19 MILLION GAL. OF PAINT
12 BILLION FT. OF LUMBER
5 BILLION FT. OF GYPSUM PRODUCTS
10 MILLION KITCHEN CABINETS
320,000 GARBAGE DISPOSAL UNITS
550,000 KITCHEN EXHAUST FANS
1½ MILLION WATER CLOSETS
1¼ MILLION BATH TUBS
730,000 WARM AIR FURNACES
70,000 AIR CONDITIONING SYSTEMS
12 MILLION DOORS
14 MILLION WINDOW FRAMES
11 MILLION ELECTRIC SWITCHES
100 MILL. SQ. FT. LINOLEUM FLOOR COVERING
110 MILL. SQ. FT. CERAMIC TILE
1½ BILL. SQ. FT. INSULATION MAT.
200 MILL. SQ. FT. ASPHALT TILE
10 MILL. SQUARES ASPHALT ROOF SHINGLES
25 MILLION CONVENIENCE OUTLETS

1. Total construction (new construction plus maintenance) has in recent years been near its historic peak ratio to gross national product. This ratio has ranged from 4.5 per cent in 1944 to 16.5 per cent in 1927. It's estimated that for every five site workers, new construction keeps six more busy in distribution, transportation, and manufacturing. Our chart shows the impact on some important allied industries.

2. In 1957, over $65 billion was spent on construction—$18 billion for maintenance and repair, $47 billion for new construction. Of the latter figure, $33 billion was spent for private construction and $14 billion for public works. More than half of all spending for new private construction went, as usual, into residential construction.

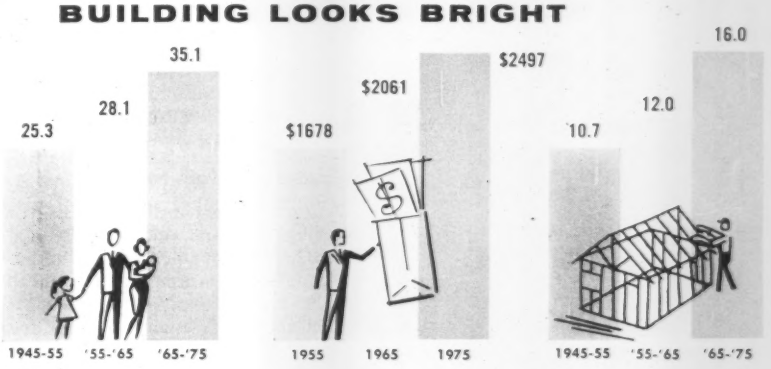
3. In 1957, for the ninth straight year, we built 1 million or more new dwelling units. According to the National Association of Home Builders, about 2 million man-years of work are needed to produce 1 million houses. Half of this labor is used in on-site construction. The other half is used to produce the huge quantity of materials needed—some of which are itemized in the accompanying chart.

4. Our population projections are based on the "high series" issued by the Census Bureau in 1955. By mid-1957, actual population was up 400,000, annual family formation up 140,000, and birth rate up 4 per cent above the Bureau's "high" estimate. This performance—plus the long-term upward trend in income—makes the NAHB's estimate of increased housing demand a safe bet.

5. According to an estimate by Ralph J. Watkins of The Brookings Institution—based on past trends in the business population—our economy needs about one business concern for every 40 people. This means that our projected population increase of 63 million between 1955-75 will require more than one and one-half million additional businesses—plus expansion of activity by existing concerns. This should insure the construction industry a brisk business in new stores, warehouses, factories, and other business buildings.

6. Recent projections by both the Rockefeller Brothers Fund and McGraw-Hill's department of economics (charted here) forecast a sizable increase in public construction in the next twenty years. The Rockefeller report predicts that public works spending alone (excluding construction of schools and hospitals) will go from $9.5 billion in 1957 to between $20.5 billion and $27.0 billion in 1967.

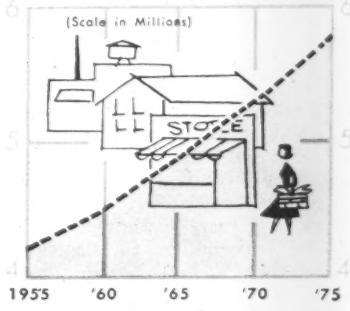
4 THE FUTURE FOR HOME BUILDING LOOKS BRIGHT



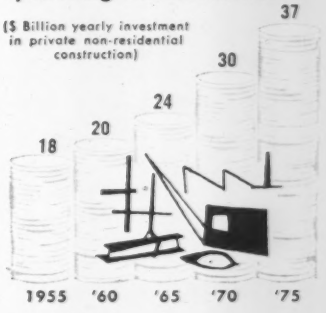
Quickening growth of population (increase per decade—in millions) + *rise in average disposable income* (income per person—after taxes—in 1957 dollars) = *bigger demand for new housing* (millions of dwelling units built in decade)

BUSINESS CONSTRUCTION ALSO DUE FOR BOOM

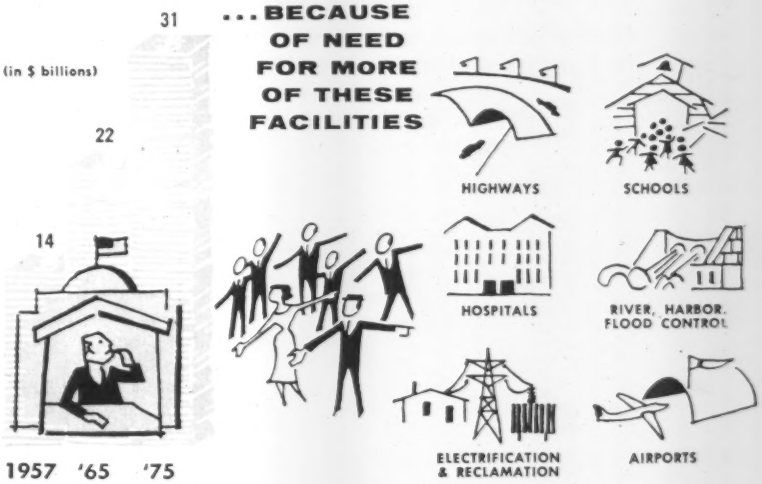
1½ million increase in concerns in operation . . .



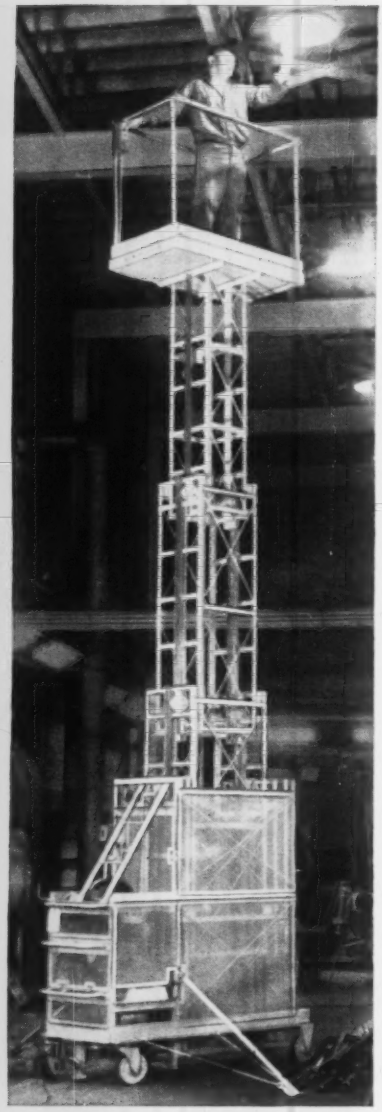
. . . will help spur business spending on construction



6 . . . AND PUBLIC CONSTRUCTION IS SCHEDULED TO EXPAND . . .



CHARTS BY GRAPHICS INSTITUTE, N.Y.C.



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ment dealers supply construction materials and equipment.

A final measure of the expanding size of the construction industry is its employment record. An average of 3 million workers a month were employed last year on contract construction—the highest number on record.

Contractors fail, too

But the expansion of construction activities doesn't automatically give construction companies a ticket to success. Actually, Department of Commerce figures for discontinued businesses show that among six main industrial divisions construction has ranked first in discontinuance rates every year since at least 1950. During this period, an average of more than one out of ten construction companies shut up shop each year.

One big hazard for business men in the construction industry is "the stream of innovation"—a term used by Miles Colean and Robinson Newcomb in their book *Stabilizing Construction*, a research study for the Committee for Economic Development. As Colean and Newcomb show, almost all types of structures "have become more complicated, more elaborately equipped, and, consequently, inherently more expensive."

In addition, as the authors point out, "Innovation in design and materials has created need for new specialists in installation and hence a more complicated and fluid industrial organization."

The revolution in construction methods is likely to go on for the next twenty years—creating both hazards and opportunities for the construction industry and business men who sell to it.

For instance, even the basic shape of the average new house is in a continuing state of change. According to a research report on the lumber industry made by the Stanford Research Institute:

> Among the major architectural changes in single-family dwelling units since 1920 have been the increased prevalence of one-story houses, the shift from full basements to crawl spaces and then to slabs, the steady reduction of roof pitch and the disappearance, in some recent units, of the inside ceiling.

As a result of these changes, Stanford estimates that the number of square feet in the average new dwelling unit fell from 1,310 square feet in 1920 to 980 square feet in 1950. But since 1950, the size trend has turned up again. The over-all floor space of the average new house insured by the Federal Housing Administration has risen more than 20 per cent over the last seven years.

Analyzing the impact of changes in architectural design and use of materials, Stanford found that lumber used per dwelling unit dropped from 18,902 board feet in 1920 to 10,520 board feet in 1953—and a further decline to 8,706 board feet by 1975 is predicted. But between 1953 and 1975, Stanford sees the use of competing materials per dwelling unit rising the equivalent of 1,231 board feet. This long-term trend is creating problems for the lumber industry—and opportunities for producers of other materials.

The trend to prefabs

New materials such as glass blocks, pre-stressed concrete and plastic pipe are being increasingly used because they permit greater prefabrication and diminish the need for on-site labor. Meanwhile, as construction machinery gets bigger, contractors will be able to haul into place large, factory-made sections of walls and floors, for both average houses and large office buildings.

THE AUTHOR • A frequent contributor to such magazines as *Coronet*, *Pageant*, and *Printer's Ink*, Herbert C. Rosenthal began his career as a trade paper editor. He is now director of Graphics Institute, which he founded in 1944 and which produces graphically illustrated booklets, employee manuals, annual reports, presentations, and the like. Mr. Rosenthal is a graduate of Columbia University and a member of Phi Beta Kappa, the national scholastic honor society.

In fact, the production of prefabricated houses—after some dismal experiences in the first postwar years—is already making a sizable dent in the house-building market. Today one out of every nine single-family houses built in the United States is a prefab—compared to one out of twenty a decade ago. National Homes Corp., the industry's largest manufacturer, ships out about 60 houses a day from its Lafayette, Ind., plant—using a fleet of 250 truck-trailers.

The package a prefab producer ships out includes exterior wall panels, roof trusses, interior partitions, and—frequently—the plumbing, heating, and kitchen equipment. By buying the materials for these items in bulk, the prefab manufacturer is often able to cut costs. And the buyer has to pay for fewer hours of expensive labor at the site—though electrical wiring and plumbing are usually left for the local contractor to do.

The increase in sales of prefab houses reflects the industry's progress in solving two of its chief problems: providing enough variety in choice of models and securing the acceptance of banks, insurance companies, and other mortgage lenders. On the style front, National Homes offers Cape Cod, contemporary, colonial, and Southwest modern houses in 80 different floor plans. Scholz

Homes, Inc. (Toledo, Ohio), has 40 basic plans that can be rearranged into more than 200 house formats. Other prefab house builders are also offering a wide selection of styles.

On the financing front, some of the 300 prefab house builders have set up their own mortgage-acceptance operations, so that their package to the buyer includes even the mortgage. In most other cases, prefab house buyers are finding financial institutions as ready to lend money on their houses as on conventional structures.

Over the next twenty years, some observers expect the prefab producer to become the dominant builder of low-cost housing, turning out units as Detroit does autos. Standardized prefab sections will be available to remodel or expand a house as a family grows or changes. These observers even expect a "used-house" business to develop, based on trade-ins of used houses or sections for new models.

The two-house family

Prefab producers are also expected to play a key role in further developing what Nathaniel H. Rogg, economist for the National Association of Home Builders, describes as "one of the significant markets of the next generation —the two-house family." Rogg says:

> Many families in the upper middle income [group], with increased leisure, as well as increased income, could very well be in the market for a seasonal home. In the last decade, these seasonal homes have accounted for about 50,000 units yearly. There is good reason to suspect that with the right type of product this market can, in the next ten years, easily double in importance.

And in the February 1958 issue of the Department of Labor's *Monthly Labor Review*, an article on future trends in housing in the United States says, "A significant growth in the number of 'two-house' families could develop, given favorable economic conditions."

Effect on other industries

According to one study of consumer expenditures, suburban house owners "buy quite differently from city families. Suburbanites, on the average, spend a hundred dollars less on clothing and footwear, and apparently allot these dollars to dressing up their homes."

This is, of course, good news for the appliance and home furnishings fields. These industries can look forward to enlarged spending from two classes of house owners: purchasers of new houses and owners of older houses who renovate to take advantage of the advances in appliances and furnishings.

Many innovations in home equipment are foreseen for the house of 1975. Year-around air-conditioning will be standard. Electric heat pumps, electric resistance heating, or solar heating will be important components of the system. TV color sets will be standard—and will be used for inter-room communication as well as broadcast reception.

New houses will be equipped with a complete line of work-saving appliances, such as automatic clothes washer-dryer combinations, dishwashers, and garbage disposal units. The power load required for these bigger and better appliances will necessitate rewiring many older houses. And the electric utility industry will continue to benefit from steadily increasing home use of power.

The furniture and home furnishings market will ~~also~~ benefit from the continuing housing boom. Here the battle of materials will be exceptionally keen, with rich rewards for the winners. Natural and synthetic fabrics will be competing for the drapery and rug markets. And rug manufacturers will have continued competition from the makers of hard-surface coverings, such as linoleum and plastic tile.

Are housing prices too high?

Are builders pricing themselves out of a large portion of the building market? Does future expansion depend on a lower cost structure? Seemingly valid statistics can be found to support either a "yes" or a "no."

According to the Department of Labor, the selling price of the average new one-family house increased from $8,675 in 1950 to $12,225 in 1956—a 41 per cent hike. Increases in construction costs and the price of land, as well as the building of bigger, more fully equipped houses, all contributed to the price rise. Since median family income rose 44 per cent in the same period, house builders' prices would seem to be in line.

But during the same period, the Consumer Price Index for rents rose only 22 per cent. In comparison, median monthly housing expenses for new FHA-insured houses rose 39 per cent. Comparisons like this are discouraging to the postwar consumer philosophy, "It's cheaper to buy than to rent."

Another Department of Labor analysis suggests that the pricing of new houses was better fitted to family incomes in 1950 (when 1,396,000 units were built) than in 1956 (when construction fell to 1,118,000 units). The Department used the rule of thumb that the purchase price should not exceed about two and one-half times the house buyer's annual income. Under this formula, 1950 saw 77 per cent of all houses built for $12,500 or less—within the income range of 77 per cent of all families. But in 1956, only 56 per cent of all houses were built for less than $15,000, and 67 per cent of all families were in the income range that could afford them. On the other hand, 44 per

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WHY Pratt & Whitney MICROHONES Bores In Titanium Spacers

Rotor disc spacers, that are used in jet engines, require accurate bores having consistent surface finish. Thus, the final processing method must generate bores with diametric and geometric accuracies within .0005″ and consistent finishes of 15 microinches.

But, Pratt & Whitney Aircraft Division, U.A.C., faced additional problems in selecting the final processing method for these .110″ length bores in titanium spacers. Because the spacers are manufactured in 20 different heights and bores in two diameters, efficient production demanded extreme versatility of the processing method used.

Here's why Pratt & Whitney chose the Microhoning process and equipment to economically produce the required results: Microhoning, in removing .004″ of stock from each bore, accurately holds to size and finish requirements; and because the fixturing positions all 20 spacer heights at same work level, the tool stroke never needs adjustment. The Microhoning of all 16 bores in each titanium spacer is completed in about 7 minutes (including loading and unloading time).

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cent of all 1956 houses were built to sell for $15,000 or over—and only 33 per cent of us could afford that price.

Commenting on how this price structure will affect house building in the years immediately ahead, the Department's *Monthly Labor Review* says:

It seems likely that the new housing market will be expanded and housing standards will be improved appreciably only if ways are found to hold down construction costs and, at the same time, maintain a quality product. This would call for a concerted effort on the part of building tradesmen, homebuilders, and materials suppliers. Lower costs per dwelling unit can be achieved, of course, through construction of a larger proportion of multifamily structures. A trend toward more rental-type housing already is in evidence.

Progress in cost-cutting and acceleration in homebuilding activity are imperative during the period immediately ahead, and before 1965, when a sharp upturn in household formation can be expected to strain the resources of the homebuilding industry. If efforts to expand the new-house market are successful during this interim period, industry and labor will be in a much better position to meet the greatly increased requirements for housing after 1965.

Housing financing

Others hold that total price for big ticket items is unimportant. The size of the down payment and the monthly carrying charges is the only thing that matters to the buyer, they think.

Exponents of this viewpoint in housing are happy about the recent easing of housing credit and terms in the anti-recession housing act approved by Congress and the President this past Spring. The magical term "no down payment" once more applies to Veterans Administration mortgage houses. Lower minimum down payments are also possible on houses financed by FHA-insured loans.

But according to Robinson Newcomb, Washington housing specialist, the Government has not gone far enough. Testifying recently before the Joint Economic Committee, Newcomb said:

A fourth trouble is the fact that mortgage interest rates are still up. . . . As the interest rate is such an important factor in cost to the buyer, sluggishness on the way down means that housing costs are held up and buyers are weeded out by the high price. Agencies of the Federal Government, not mortgagees, are responsible for a good proportion of the causes of high interest rates on home mortgages. . . . Unless and until laws are changed to facilitate the flow of funds to financial institutions favoring home loans, interest rates on home mortgages will continue sluggish and drop only slowly. This will reduce the potential market for housing in 1958. Without a bigger pool, interest rates will fall but slowly, and the volume of starts will rise only slowly, if at all, for some time.

Among specific actions called for by builders are: 40-year (instead of present 30-year) VA loans, making mortgages readily available to lower income groups, an increase in FHA maximum loan limits from the current $20,000 to $30,000.

Demands for Federal funds to finance housing will probably increase over the coming years. How to handle these demands in a way that will promote housebuilding and the economy in general without straining our resources and inviting inflation will be a continuing economic problem.

Government public works

Another claimant for Government construction money over the years ahead will be the various Federal, state, and local public works programs. One of the most widely heralded of these is the highway program, which is expected to result in total expenditures of $100 billion by 1975 (DR&MI, May 1958, page 32). Of this, $37 to $40 billion is being used for construction of a 41,000-mile interstate highway system. The rest will be used to expand the existing Federal-state program for primary, secondary, and urban roads.

Our growing population—a prime factor in the need for highway expansion—will also require more community services. For instance, the number of school-age children (five to nineteen) will increase almost 50 per cent—from 46 million today to 65 million by 1975. This increase will create a tremendous demand for school construction.

Double our present hospital facilities will also be indicated, just to provide care at present medical standards for our 1975 population. Our sprouting suburban communities will need expanded facilities for water supply, sewage disposal, and other services. And by 1967, according to the Rockefeller Brothers Fund report, we should be spending $4 to $7 billion a year for urban renewal—slum clearance and rehabilitation of our big cities—compared to the less than $750 million we are actually spending today.

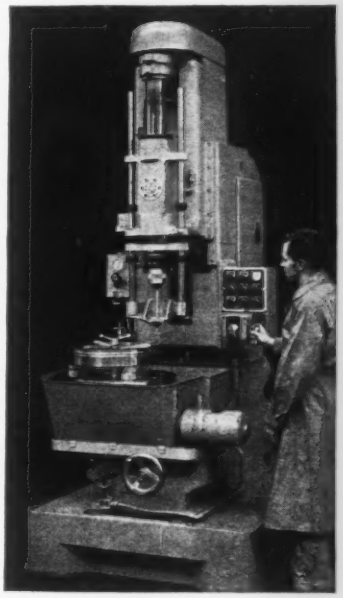
Big—and still growing

An increase in construction activity seems inevitable all up and down the line—for private housing, Government spending, and business building of new facilities. McGraw-Hill economists see new construction leaping from $47 billion in 1957 to $100 billion by 1975. The chart (pages 42–43) will give you an idea of how this jump in construction would be bound to step up business for the many allied industries. Perhaps it is no exaggeration to say that as construction goes, so goes American business. END.

HOW Pratt & Whitney MICROHONES Bores In Titanium Spacers

By Microhoning the bores in rotor disc spacers used in jet engines, Pratt & Whitney obtains final stock removal that efficiently produces close diametric and geometric accuracies (within .0005″) and consistent surface finishes of 15 microinches.

Here's how a Hydrohoner produces these accurate results in 20 different sizes of titanium spacers . . . each spacer having 16 bores that are either .680″ or .590″ in diameter and .110″ in length.



The Hydrohoner is equipped with precise feed and sizing controls that automatically expand and collapse the tool, compensate for abrasive wear, and terminate the Microhoning cycle when required bore size is reached. Also, because fixturing is designed to position all spacers at the same work level, the tool stroke never needs adjustment.

A rotary indexing table automatically locates each bore under the spindle and stops the Hydrohoner when all 16 bores in each spacer are finished. A lateral indexing feature positions the fixture to accommodate various spacer sizes. In fixture change-over, no special tools are required for simple exchanging of four details, and the switch from one spacer size to another requires but a few minutes.

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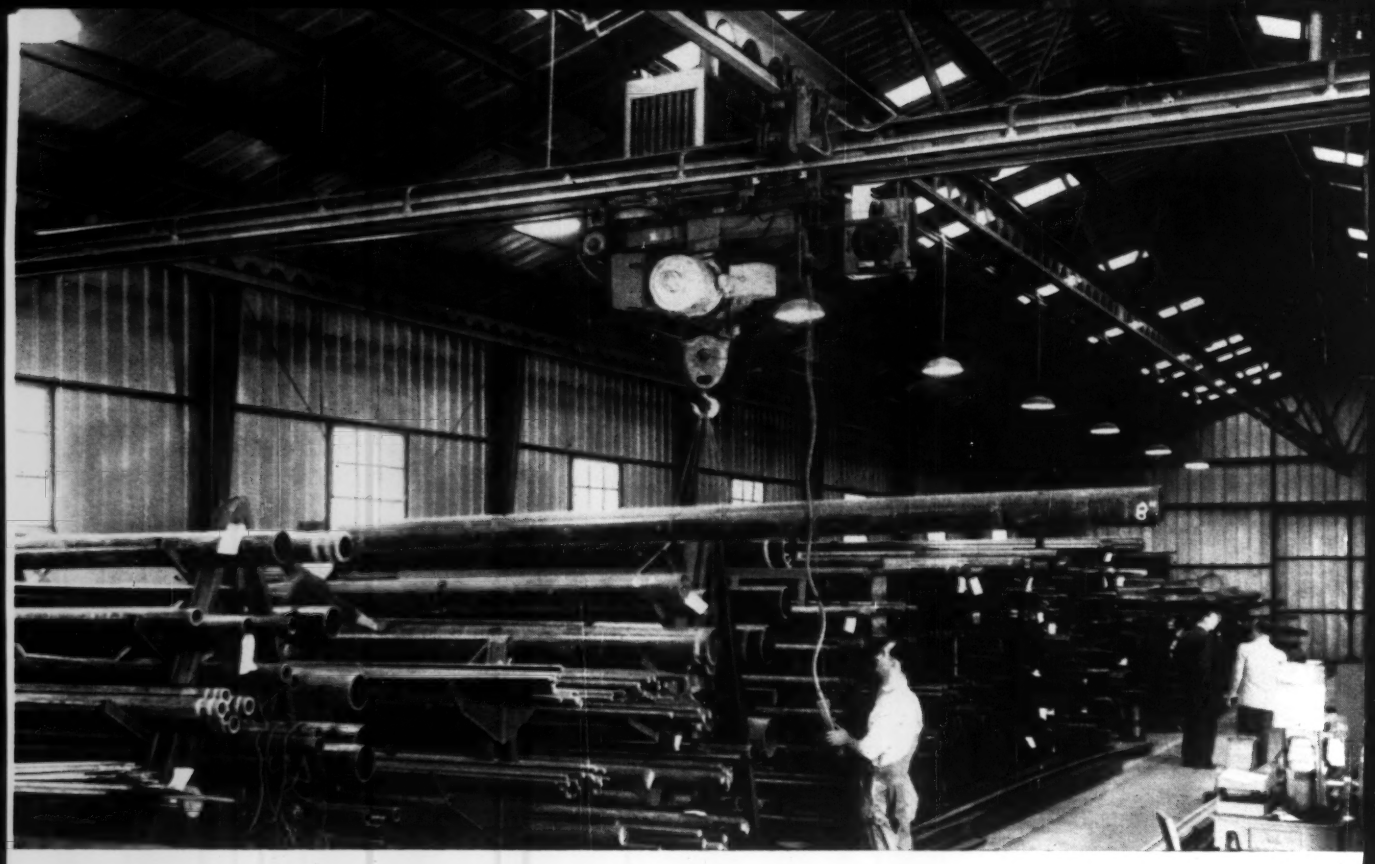

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Problems and Potentials in Consumer Exports

CONSUMER DURABLES *in the "luxury" class, as well as made-in-USA soft goods, are attractive to Austrian consumers. These are shoppers in a Viennese appliance store during Fasching, mid-Winter carnival season.*

ALEXANDER O. STANLEY

Companies marketing consumer products overseas are encountering new obstacles, but the attraction of made-in-USA brands persists. Here are some behind-the-scene facts you should know about a $4 billion annual business.

IF PRODUCING CONSUMER goods is your business—or fabricating materials or equipment needed in their manufacture—it will pay you to take a close look at the export aspects and prospects of these products.

Statistically, overseas sales of consumer goods are an impressive factor in the over-all export picture. At $4.1 billion, consumer goods accounted for $1-plus out of every $5 of U.S. exports. Of the 2,800 tabulated export categories, consumer products accounted for 796 categories kept under statistical analysis, more than one in every four. Finally, they involved almost every conceivable type of consumer product, and are sold in every market of the world. (For highlights of 1957 consumer goods exports see table, page 50.)

Direct exports, of course, are only part of the huge volume of U.S. commodities and products that flow abroad to be converted into products to whet and satisfy consumers' needs overseas. Many items in a semi-processed state are exported to U.S. branch plants and nationally owned companies for conversion, with or without local additives, into finished consumer products. Although these bulk shipments cannot actually be considered consumer products, as necessary ingredients in overseas manufacturing processes they are a substantial factor in evaluating the potential for consumer products. These bulk shipments are particularly heavy in the drugs and chemicals, textiles, and vehicles categories and in house construction products.

The 1957 annual figures prove that consumer exports are big business. But what about 1958 trends? So far this year, over-all exports have dipped 19 per cent, and they will probably decline further. Interestingly enough, some fragmentary reports indicate continued improvement in sales of so-called luxury

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Shelbyville, Indiana

kennedy

What We Sold to Overseas Consumers in 1957

	Total Dollar Volume	Number of Product Categories
Foodstuffs	$2,171,875,793	248
Household equipment and supplies	818,875,244	302
Vehicles, passenger	490,351,360	27
Drugs, pharmaceuticals, chemical products	304,996,476	79
Apparel and appurtenances	153,163,464	91
Houses and materials	87,624,667	42
Tobacco and products	74,487,608	7
Totals	$4,101,375,115	796

lines. One prominent manufacturing company says its sales of TV sets are up over last year. Another company in the cosmetic field is expanding its overseas operations because of heightened consumer acceptance. But these are exceptions. Both the established exporter and the newcomer will probably face tightening markets abroad in the months ahead. This will put a damper on the plans of companies looking for a short-term speculation in overseas markets to tide them over the current lean period in domestic sales. But for managements interested in the long-range aspects of overseas markets, this is the time for exploration and experimentation.

Questions and answers

What are some of the problems and prospects? Let's look at the problems first:

- Markets heavily dependent on world exports of extractive and agricultural products are suffering from diminished sales and prices. And because they earn fewer dollars and other foreign exchange, they must cut back on imports.
- Markets heavily dependent upon world imports of raw materials to feed an expanded industrial complex are running out of cash and credit. Cutbacks in output loom ahead and may cause temporary economic dislocation.
- Common markets mergers are growing in popularity, but current uncertainties over France's participation in the European Common Market complicate immediate plans for American companies active in this zone.
- Though their current impact is slight, Soviet aspirations in world markets are alarming in their long-term implications. And in a period of thin markets and high commodity inventories, the temptation to swing into the Soviet trade orbit —whatever the long-range involvements —will be tough to resist for many countries whose products are presently going begging in world markets.

However, these problems themselves can, for the most part, spell out possible solutions for management.

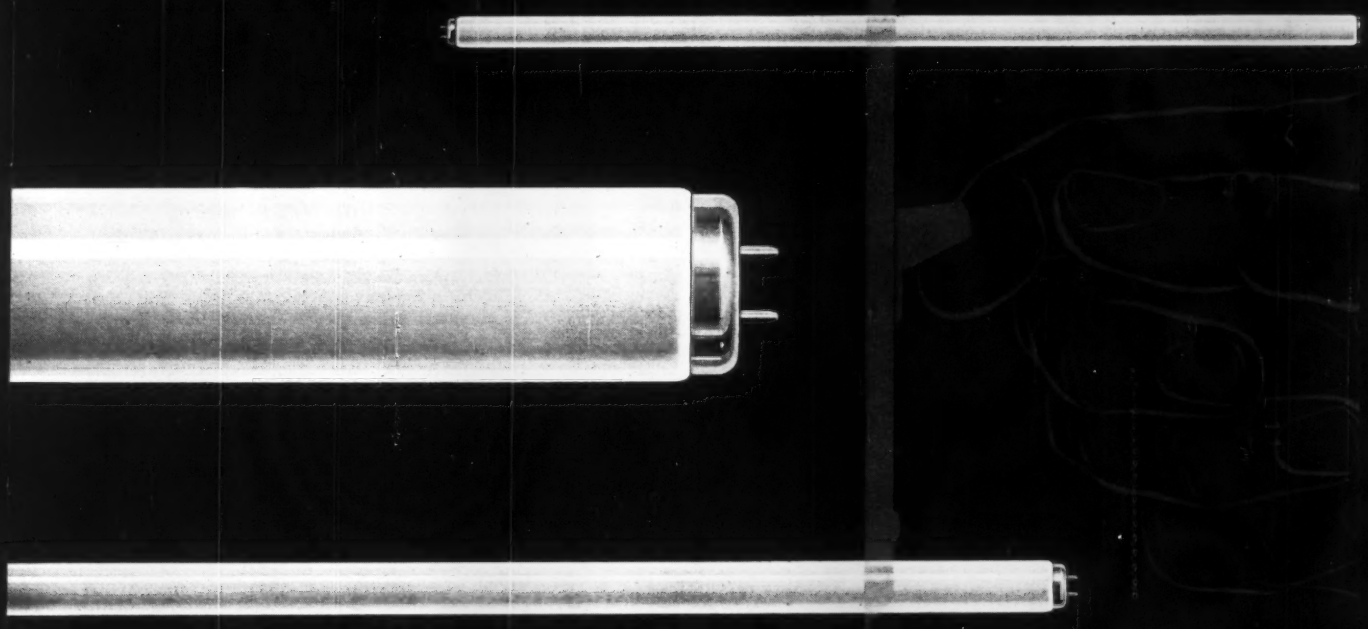
- Shortages of dollar exchange abroad are encouraging many U.S. companies to consider licensing arrangements and branch or affiliated installations.
- When markets are too shallow to support new industrial units, there is a growing tendency to fill their requirements from overseas areas in which U.S. companies have branch, licensee, or affiliate companies that can compete exchange-wise and price-wise with both foreign and locally produced goods.
- Though their practical results remain to be seen, the potentials of the common market programs are stimulating a reappraisal of overseas possibilities for many products and services which until now were not viable for export because of tight economic boundaries.
- Economic competition with the Soviet bloc may eventually alter some traditional trade patterns. But continued experience of American management in this area will produce new and effective solutions to the problems arising from the Soviet entry in the race for world markets.

Sources of information

To pinpoint the markets and consumer products with promising export possibilities, careful study of trade statistics and current trends is necessary. Certain U.S. Government services are also a source of additional practical help.

Among these, the first to consider is the *Foreign Commerce Weekly*, published by the U.S. Department of Commerce, which contains scores of inquiries from concerns all over the world that wish to buy from, sell to, or develop agency connections with U.S. companies. While these inquiries are not an accurate index of potential demand, they do indicate the areas and the products in which there is current interest. Curiously enough, in the face of declin-

Sylvania fluorescent lamps
are as much as 14% brighter



Sylvania fluorescent lamps consistently perform above published ratings from the start... deliver more light than other brands.

Another reason why

Sylvania Fluorescents give you more light at lower cost than all other brands

Advanced engineering makes Sylvania fluorescent lamps superior in many ways—makes light a better tool of production to increase profits

Tests in the laboratory and in working installations show that Sylvania fluorescent lamps consistently deliver more light.

During the past two years, alone, a comparison of Sylvania fluorescent lamp performance with the performance of other brands shows Sylvania lamps deliver as much as 14% more light.

This light output superiority means Sylvania gives you the maximum new-lamp performance you expect . . . gives you all the light you pay for . . . from the start.

Sylvania fluorescent lamps continue to give you this dividend of light throughout every burning hour . . . and deliver more light than other brands throughout their useful life.

This is another example of how Sylvania builds extra value into fluorescent lamps to help cut your lighting and operating costs.

Let your local Sylvania Representative show you how Sylvania's superiority can save you time and money. Call him today, or write:

SYLVANIA LIGHTING PRODUCTS
Division of Sylvania Electric Products Inc.
60 Boston St., Dept. 8L 8507, Salem, Mass.
In Canada: Sylvania Electric (Canada) Ltd.
Shell Tower Building, Montreal

SYLVANIA Lighting Products

make light a better tool for profits

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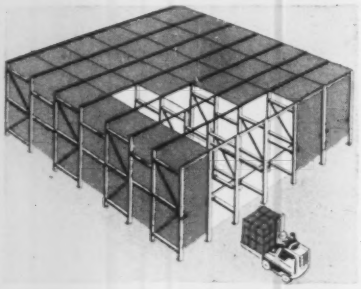
New Drive-Thru Sturdi-Rak – twice the storage from the same space



1. No aisles. Drive-Thru rack turns aisle space into storage space. Entire rack is usable storage. Rows can be made as deep as needed—as high as your lift truck can reach.

2. Load from either end. Unload the same way. No lost motion. Pallets are stationed on support rails running on sides of each bay. Bay width is determined by stock requirements.

3. Use for any pallet storage.

4. Quickly erected, expanded.

For more information on the new Drive-Thru Sturdi-Rak, attach this coupon to your letterhead, or write:

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Material Handling Division
Union Asbestos and Rubber Company
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U.S. Patent Nos. 2760650, 2815130 DR-78

Sturdi-Bilt

ing exports, these inquiries remained at about the same level during the first four months of 1958. In the comparable 1957 issues, a total of 182 consumer product inquiries were listed; in the 1958 issues, the number was about the same—185. But some interesting shifts took place. For example, inquiries from Latin America more than tripled over the corresponding period of last year, while inquiries from the Middle East dropped by nearly two-thirds.

Here are some interesting highlights that may indicate trends:

- A doubling of inquiries from the British West Indies—a new common market.
- A fivefold increase in inquiries from Venezuela—despite political troubles and a decline in oil dollar earnings.
- A doubling of inquiries from Italy, a partner in the European Common Market, while most other European countries showed little change in inquiries.
- A fourfold increase in inquiries from Iraq, and a drop from 48 to one in inquiries from Saudi Arabia.
- Total disappearance of inquiries from Morocco and Algeria, while the Belgian Congo, Rhodesia and Nyasaland, and the Union of South Africa doubled or trebled their inquiries.
- In the Far East, disappearance of inquiries from New Zealand, a sevenfold increase from Pakistan, and a doubling of inquiries from Thailand.

When it comes to product categories, there has been no change of significance in volume of inquiries.

The inflow of new business leads in *Foreign Commerce Weekly* is worth constant review, though less as a statistical index than as a guide to specific sales opportunities.

Don't overlook trade fairs

An even more considerable source of potential business contacts has been developed by the Trade Missions Program of the Office of International Trade Fairs, a division of the U. S. Department of Commerce (see "Overseas Trade Fairs Boom Foreign Sales," DR&MI, February 1958, page 85). In something like three and a half years, these Trade Mission teams, working in liaison with U.S. Government-approved trade fairs abroad, have flushed out some 4,000 overseas business possibilities for all kinds of products. The inquiries were varied as to product and purpose, and probably as many were concerned with export as with import possibilities. But the fact that these teams spent considerable time in face-to-face conferences with overseas business men in many of the key trading areas of the world lends weight to the observations and opinions about potentials in consumer goods exports which they expressed in response to DR&MI's queries.

The following highlights of their comments spell out some of the exciting possibilities for thousands of consumer products:

AUSTRIA: There is potential interest in items used around the home, especially do-it-yourself products. Most U.S. consumer products could be sold with ease. Practically all soft-good items, as well as "luxuries" like mechanical refrigerators and ranges, would find a ready market in Austria, since mass production gives U.S. products a price edge over their Austrian-made equivalents. And, among Austrians, American products have a reputation for quality that would make them attractive even at a slightly higher price. But import and currency restrictions make it hard to do a real job of merchandising here.

BELGIUM: Many small manufacturers lack the plant and machinery to produce in quantity, so cost and quality of domestic products are at a disadvantage competitively. There is interest in American products, and one particular line, Philco refrigerators and radios, made a big hit at the Ghent Fair.

FRANCE: There is great interest in do-it-yourself products, especially blueprints and plans for cabinets and furniture. Interest in supermarkets is high, and there is a market for refrigerator units, cabinets, and wrapping machines. American-type cafeterias have become very popular in Paris. Especially among American tourists, there is a market for American cosmetic and drug products. The French are great readers, and there is a market for American books and periodicals.

GERMANY: Kitchen equipment, especially ranges, refrigerators, and food storage units, offers the best potentials. The introduction of supermarkets is opening up a

AMERICAN KITCHEN *installations displayed at Colombia's International Trade Fair fascinated Colombian housewives.*

market for store equipment. There is plenty of room for U.S.-made children's furniture, playground equipment, and eductional toys.

GREECE: Economic recovery is enlarging markets for American consumer products that can compete with European quality and price. Greatest need is for agricultural equipment and equipment for mining and mineral extractions. Most immediate interest seems to be concerned with food processing and refrigeration equipment, agricultural equipment, synthetic yarns, and piece goods.

ITALY: There is a tremendous opportunity for refrigeration equipment of all types. Although there is over-production of local units, these compare unfavorably with the American product. Despite the burden of high food prices, the standard of living is rising fast. Currently, there is considerable interest in soaps and detergents, canned vegetables and fruits, packaged mixes, ready-to-eat foods, and baby food. Italians are beginning to realize that U.S. machine-made merchandise is as good or better than hand-made products. Many opportunities exist for the enterprising exporter. The Italians showed great interest in our consumer products at the International Trade Fair in Milan. But local manufacture may be necessary to break through the eventual common market barrier. Retailing is gaining ground, even in backward southern Italy, and American-type packaging is also on the upswing.

NETHERLANDS: American mass-produced items can usually compete, but products that require much hand labor cannot compete in price.

POLAND: In contrast to the 4,000-odd food products found in U.S. stores, Polish consumers know only about 500. They eat and drink well, but variety is limited. This shortage of consumer goods is typical of Soviet-bloc countries. Poland would be a splendid market for many U.S. items, but there is one drawback—not enough dollars.

SPAIN: The market could absorb millions of dollars worth of American consumer goods, but Spain lacks dollar exchange.

SWEDEN: A visit to the great N.K. Department store in Stockholm, or to many food stores in the major cities, will impress an American with the large number and diversity of U.S. items on sale. The thrifty Swedes do not mind paying a little more for American quality, especially if the design is smart. They like our spacious refrigerators and deep-freeze units, with their various gadget features.

UNITED KINGDOM: Fundamentally, the British purchaser wants products modern in design and efficient in operation. But American-type appliances now being manufactured in England, Belgium, Germany, and Holland cost the buyer nearly 50 per cent more, in terms of his earnings, than such products cost the U.S. consumer. To break into the British market at all with any consumer durables, you must manufacture in the United Kingdom.

continued on page 54

"Here's why I am impressed with our Armco Steel Building . . .

It's attractive

So quickly constructed

Easy to heat

Maintenance costs are low"

Standard materials have been used to insulate and finish the interior of the Horvick building.

That's the way Ben Horvick, owner of the Horvick Manufacturing Company, sums up the advantages of his Armco Building. There are sound reasons behind his statement.

You're in business *fast* with an Armco Building. Just specify the amount and the *shape* of the space you need—from 28 to over 100,000 sq. ft.

Precision-made parts are delivered to your site ready for rapid assembly—no special skill required. In a matter of days you have an economical building *customized* for your business. The Horvick plant went up in three and a half weeks.

Interlocking panel-wall construction and precision-fitting doors and windows provide exceptional weathertightness. The panel construction makes it easy to insulate and add interior finish. The 3200-sq.-ft. Horvick plant, located in Moorhead, Minnesota, was heated (comfortable room temperature) during the 1956-1957 heating season for only $380 to $400.

Maintenance costs are low, too. Wall and roof surfaces, inside and out, are protected by a special zinc or aluminum coating. There's nothing to warp, crack or burn. With the barest kind of upkeep these steel structures will last almost indefinitely.

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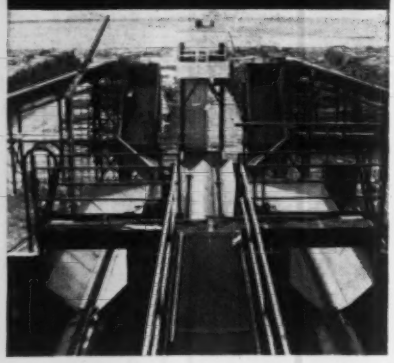
BULK HANDLING SYSTEM OUTDOES PAUL BUNYAN



Gigantic System delivers 50 cords of pulpwood per hour for Abitibi

Abitibi Corporation's new multi-million dollar Hardboard and Insulation Board mill needed a log handling, barking, chipping and storage system that would rival Paul Bunyan. It had to cover over 1,300 feet . . . deliver 50 cords of pulpwood per hour from the woodyard to storage silos . . . and eliminate jamming. Planet engineers solved the volume problem by creating a double feed system that starts from opposite ends of the woodyard. Jamming was eliminated by unique automatic fall out stations that drop excess logs off the main-line conveyors to be recirculated later. The entire system, built and installed by Planet, is controlled by five operators.

Plan with Planet

Perhaps creative engineering such as this will help you solve your materials handling or automation problems. Let Planet put its experience and know-how to work for you. Write or phone today . . . there's no obligation.

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- FOUNDRY HANDLING SYSTEM

82

1835 SUNSET AVENUE LANSING, MICHIGAN

YUGOSLAVIA: Per capita income is low, and poor-quality domestic merchandise is still extremely high-priced. It is said that the purchase of such an item as a woman's dress puts a real strain on the average family's budget. But the interest is there, and in the wake of "Supermarket U.S.A.," which made a big hit in the Zagreb Fair, 60 more units are to be opened in the months and years ahead.

COLOMBIA: Dealers find it hard to import consumer products, because of the dollar shortage. But several U.S. producers of consumer goods have been successful in manufacturing their products locally.

IRAN: There is a tremendous boom in modern Western-style stores and shops. Electrical appliances, radios, phonographs, tape recorders, fountain pens, and a vast variety of other goods are now being offered. But these are of European or Japanese origin.

SYRIA: American products have practically outpriced themselves in this and other Near Eastern markets. Buyers like our goods, but they won't pay the prices. From the dealer's standpoint, more generous terms also weigh heavily in favor of European- and Japanese-made merchandise.

TURKEY: The biggest potential market is for products priced to reach the low-income class, such as ball-point pens, flashlights, electric clocks, toasters, mixers, radios, and irons. There is a modest demand for vacuum cleaners, electric stoves, and refrigerators among the intermediate-income class, but the dollar shortage makes this a tight market at the present time.

TUNISIA: American appliances are preferred to the French products, even though they sell at a very high premium, but because of serious budgetary deficits there is currently only a minimum market. Through various compensation deals some American products are said to have been able to get into the local market, but these are the exceptions. American products carrying a "Made in France" label have a chance to break through the exchange barrier.

SOUTH AFRICA: The people here like our products and would buy more if they only had the dollars. Particular interest is expressed in foodstuffs, drugs, clothing and textiles. Completely integrated food markets are just beginning to emerge. Tight tariffs and tight exchange have forced many U.S. manufacturers to establish plants in South Africa. Once in, they have found the market wide open. In terms of products, there is considerable interest in textiles, plastic materials, American power tools for home use, power lawnmowers, and hardware. Considerable opportunities exist for wooden products. And someone ought to look into the field for central heating equipment.

INDIA: There is little demand for U.S. consumer products. Indian living and eating habits differ from ours, and a per capita income of $150 per year means that demand for goods at the consumer level is not very exciting. Real purchasing power is confined to 5 per cent or 10 per cent of the population, and the primary interest here is in equipment for entertainment, such as radios, television sets, and musical instruments. What with the high "landed" cost of U.S. goods, thin dollar allocations, and low purchasing power, this can be classified for the present as a mediocre market for most consumer products.

JAPAN: Dealers are interested in household electrical equipment made to American specifications. Particularly mentioned are stoves, refrigerators, freezers, washing machines, dryers, toasters, roasters, food mixers, steam irons, air-conditioners, radios, and TV sets. But, currently, stringent exchange controls act as a barrier to direct exports. The popular trend is to arrange for local manufacture on a royalty basis.

PAKISTAN: The great problem here is too many people with too little to eat, complicated by a lack of agricultural know-how and scarcity of water. Increasing production within Pakistan and growing food that must now be imported would save precious foreign exchange for purchase of American consumer goods.

BURMA: There is interest in motor vehicles, textiles, toiletries, electrical appliances, air-conditioners, and refrigeration equipment, as well as meat products and pharmaceuticals. But because of dollar shortages, import licenses are scarce and hard to get. Government-controlled corporations distribute such basic products as foodstuffs, textiles, hardware, and building materials. But local private firms can act for American manufacturers at the public tenders called by various government departments.

MALAYA: There is a market for bicycles, automotive spare parts, air conditioners, and other consumer goods, but direct imports are subject to government controls.

HONG KONG: There is active interest in almost every type of consumer goods, but local manufacturers produce quantities of canned foods, dairy products, rattan furniture, watch cases, flashlights, vacuum flasks, enamelware, hardware, plastic toys, aluminum products, and paints, for export as well as consumption. The prevailing low wage scale makes Hong Kong products highly competitive in world markets.

VIETNAM: There are opportunities for obtaining fairly sizable orders for consumer goods of an essential rather than luxury character, provided the price is right.

PHILIPPINES: Nearly all types of American consumer goods continue to be sold, despite increasing competition from foreign and local manufacturers.

THAILAND: Backed by ample foreign exchange earnings, demand continues for many kinds of consumer goods. But Japanese and European competition is keen.

IRAQ: Continued economic expansion provides a market here for all kinds of consumer goods of both the luxury and essential types. END

GETTING MORE MILEAGE

continued from page 38

ment an accurate picture of total costs, and serves as a reliable gage of the efficiency of the maintenance department.

All maintenance work is classified into one of four categories: routine, repetitive, non-repetitive, and estimated. Non-repetitive jobs are further broken down and classified by the time required to do them—under eight hours, nine to sixteen hours, seventeen to thirty-two hours, and thirty-three to sixty-four hours.

Watching the clock

Thirty weeks of work orders were studied as a basis for establishing maintenance performance standards. These standards were then leveled by means of a thorough work-sampling, or ratio-delay, study. For example, assuming the average time required to repair generators over a 30-week period turned out to be one hour, this became the unleveled standard time for generator repair jobs. If, through a statistically sound work-sampling study, the industrial engineers determine that on generator repair work the electricians were busy only 60 per cent of the time, they would be given credit for only 0.6 of an hour of earned time for every hour spent on generator repair work.

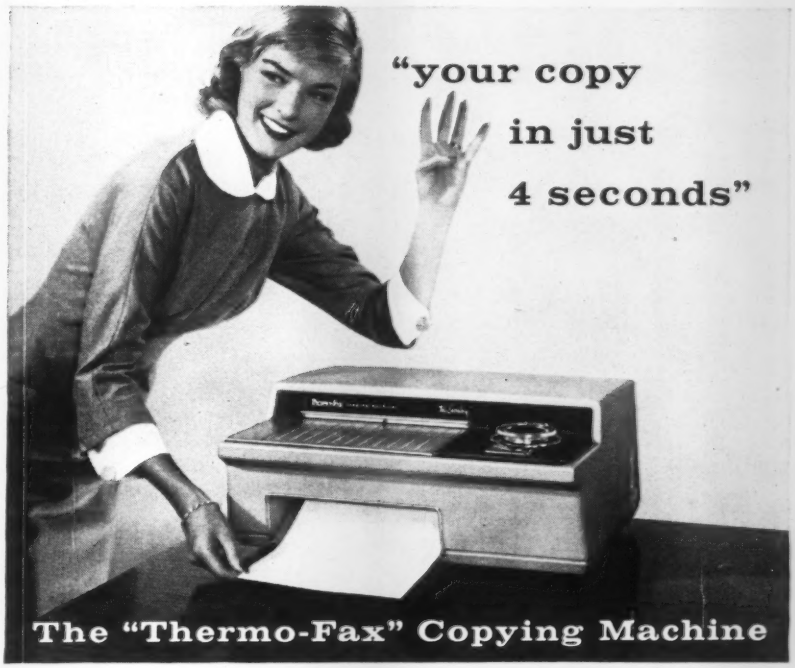
A Taylor-type planning board is used to keep track of the many job assignments. A separate board is provided for each craft, and clips are used to represent each craftsman or group of craftsmen. The foremen of each group then check the work orders and schedule the work of their men in as much detail as possible.

Manpower planning for jobs which will require more than 24 hours to complete is done by an estimator. He estimates the total time for the job and the time required for each craft (electricians, plumbers, mechanics, and so on). He then schedules their work on the basis of these estimates.

An ounce of prevention

Preventive maintenance also is an important part of the over-all maintenance program, since servicing all machinery and equipment periodically helps to avoid costly machine breakdown during production runs. To establish a realistic schedule, past records of machine breakdowns are first studied carefully to determine how much time can safely elapse between service visits. Motor switches, for instance, might not be serviced more than once a month, while machine lubrication might be scheduled daily.

Approximately 115 men are covered by this maintenance program. To simplify using the earned hour control re-



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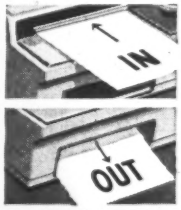

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ports the men are classified in twelve groups—electricians, tool room, machinists, plumbers, and so on. Performance against set standards is figured for each group, but bonuses are based on the performance of the maintenance department as a whole.

Basis for incentive pay

Rome Cable's indirect production employees' incentive program is called a work load incentive. Rather than specifying the length of time it should take to perform a given job, these standards measure the amount of work involved.

For example, four hours might be required for the process of vulcanizing a reel of cable. However, actual labor by the operator—loading and unloading the vulcanizer, adjusting the heat, and other miscellaneous tasks—might take a total of only two hours. Therefore, the operator would have a 50 per cent work load (hours of actual work divided by the process cycle time). The bonuses for various work loads are computed on the basis of specifications in a conversion table.

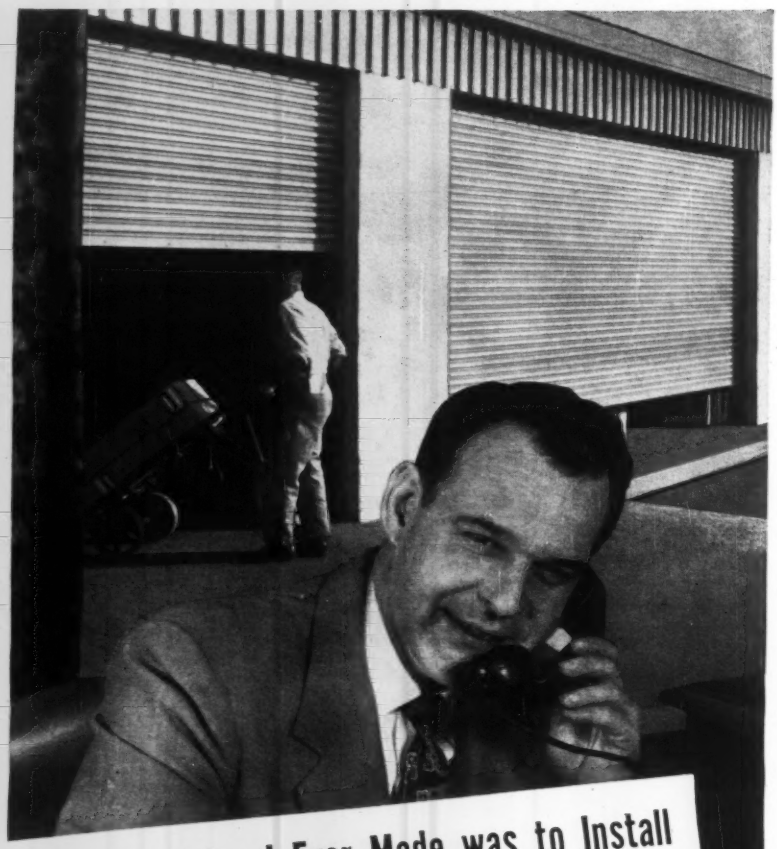
Work required for all indirect services—materials handling, truck driving, and so on—was similarly measured, and standards were established. Now, "earned hours" are built up during production runs to cover the operations of indirect workers, and work load "earned hours" are divided by actual hours of indirect labor to give the percentage of actual performance efficiency.

Figuring the bonus

About 400 people are covered by the production indirect program. Bonuses are paid by department, but performance is calculated separately for each small work center within the various departments. In all, within the nine departments there are twenty-seven work centers, comprised of indirect labor people performing jobs related to the production process. Their performance is calculated by shifts for purposes of manpower analysis.

The indirect labor control and incentive program, which has been in operation for more than a year, has shown substantial benefits. On the basis of actual production records, Rome Cable figures that the program has stepped up the productive efficiency of indirect workers by more than 27 per cent, resulting in savings of nearly 1,200 man-hours per week. The corresponding improvement in the performance of maintenance workers has been close to 10 per cent, with savings of more than 450 man-hours of maintenance weekly.

Over the long range, the program is expected to bring even greater savings, besides improving the efficiency of the company's over-all production operations. END



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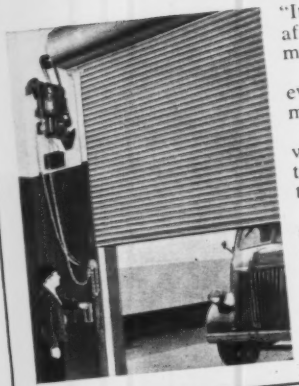
Kinnear Steel Rolling Doors

—and here's why . . .



"It's amazing how they withstand year after year of hard daily use, with so little maintenance!

"They save floor and wall space . . . even leave ceiling areas clear for maximum crane, hoist and lift-truck efficiency.

"Good protection, too. Not only against wind and weather, but real all-steel protection against vandals, intruders, and troublemakers."

Kinnear Rolling Doors are made any size, with motor, manual or mechanical controls. Easily installed in old or new buildings. Kinnear's heavy galvanizing assures lasting resistance to the elements, and Kinnear Paint-Bond permits quick, thorough paint coverage with maximum paint-grip. Write for full details.

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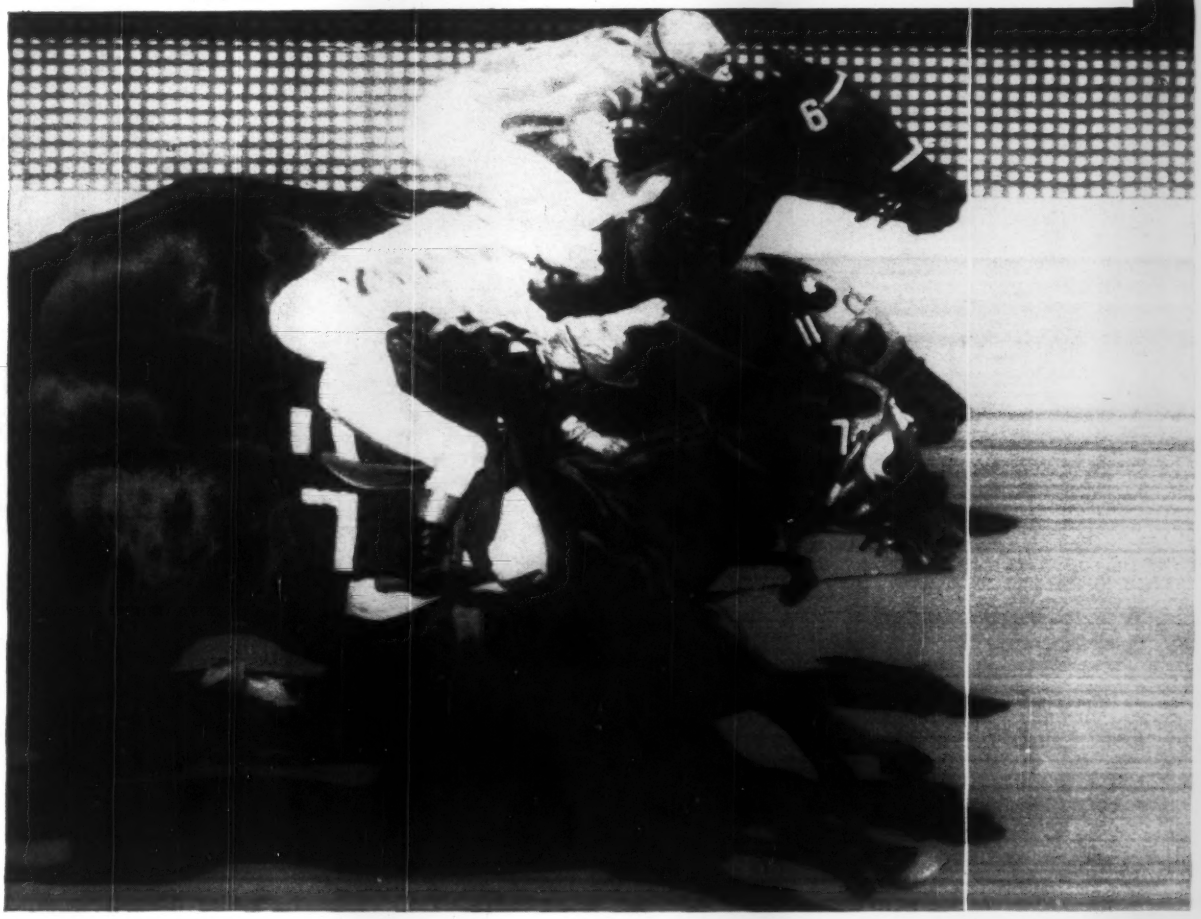
COMPETITION IS GETTING TOUGHER ALL THE TIME...



Official Photochart photo of third triple dead heat in turf history, Hollywood Park, July 3, 1957

Nobody has ever invented a satisfactory substitute for being first.

There are some who say pioneering a new product or idea is an expensive way to do business. Perhaps it is safer to follow the leader, but the laws of competition favor the front-runners and the purse keeps getting thinner as the competition gets thicker.

One of the ways to stay up front is to move with the products that have "winner" written on them. Urethane foam is one of these new products. The foundations for its use in the big consumer markets have already been laid in the automotive, aircraft, textile and home furnishings industries. You'll find urethane foam in late model cars, the new jet airliners, in quality furniture and a growing list of consumer products.

What's your position in this race for the big share of these new markets? If comfort is one of the "products" you sell or buy in the form of cushioning, insulation or padding, urethane foam will keep your product out of the also-ran category and put it up front with the leaders in '59.

For more detailed information, sources of supply and fabricating assistance, write or wire today.

Mobay supplies quality chemicals used in the manufacture of both polyether and polyester foams for industry.

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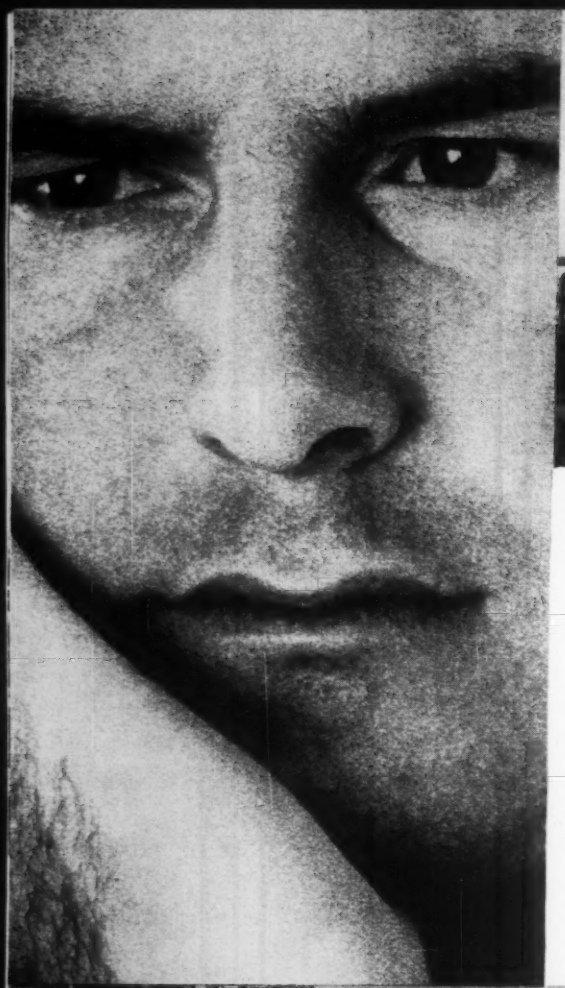

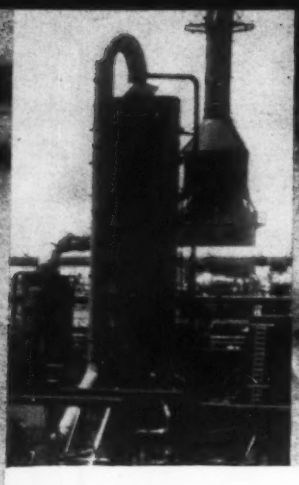

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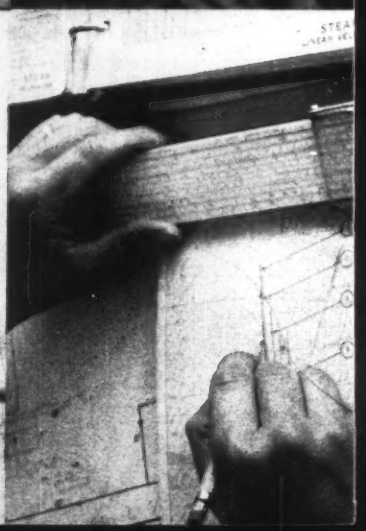

New Spurs for Higher Sales

WHAT CAN YOU do when your sales curve develops a serious sag? Most executives would be quick to answer: "Sell harder." To be sure, this is an important ingredient in the formula for revival. But alert management knows that an entire package of remedies must be used.

For instance, when Pitney-Bowes Inc. ($46 million annual sales volume), Stamford, Conn., encountered a sales drop-off of 19 per cent (from a year before) in the early months of 1958, top management hit upon a multi-point program—including harder selling—that soon sent volume above the year-ago level. The P-B crash program included these points (run down the list and see how many can be used in your company):

- **More time for selling.** Salesmen were generally relieved of the responsibility for demonstrating and installing the office equipment produced by the company. These chores were turned over to the service department, which was also urged to make a systematic effort to ferret out sales leads for additional equipment.

Although salesmen are still expected to make an appearance during the installation to make sure the sale sticks, and must still be able to operate the equipment proficiently, they now have much more time to follow up new leads. Branch managers had long insisted that salesmen's time was both too costly and too productive to be used for demonstration and installation chores.

- **More leads for the salesmen.** A hefty rise of 24 per cent in advertising over the 1957 level brought an increased flow of sales leads.
- **Sales staff increased.** The recruitment program was stepped up, resulting in an immediate increase of about 5 per cent in the 700-man sales staff. At the same time, performance standards were

Hard Selling from the Top

Top executives at The Maytag Company, Newton, Iowa ($99 million sales volume) give sales an added push by manning phones around the clock for 72 hours. Salesmen blanketed their territories, called on dealers at all hours, phoned in their sales scores to the top brass, who had the tallies posted (above, left). Charts at plant entrances kept employees informed on the selling operation, which netted $17 million in orders. At first table, left to right: President Fred Maytag, Executive VP George Umbreit, Marketing VP Claire Ely, and General Sales Manager Gerald Ankeny.

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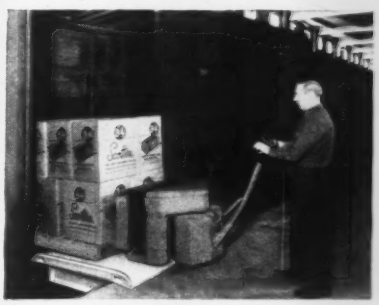

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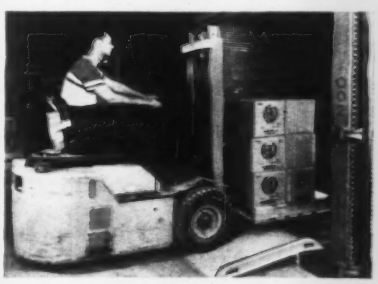

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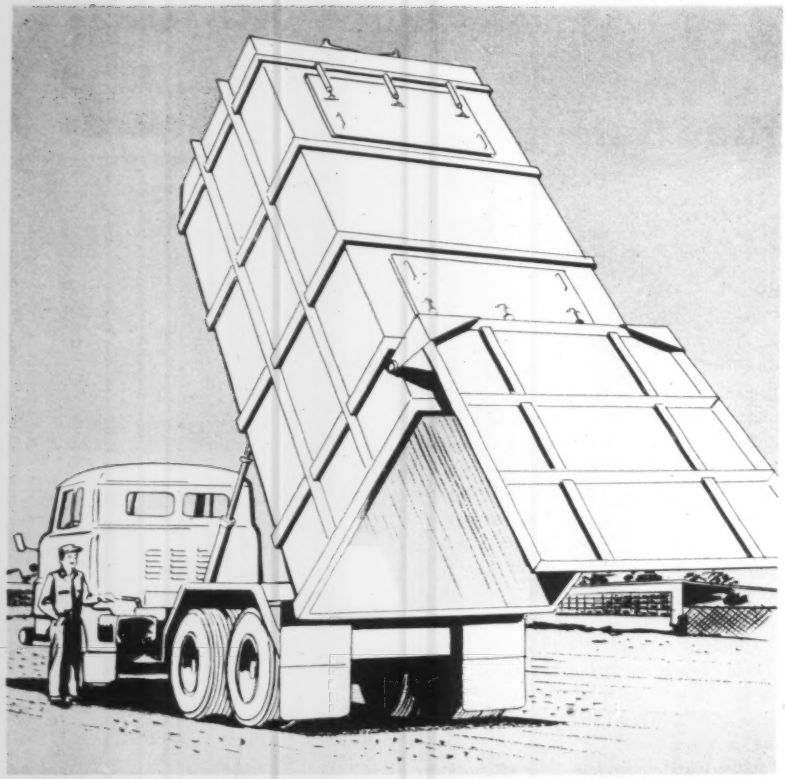

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30 cubic yards or 11 tons per load reduces unit cost of moving bulk materials of all kinds. Alert management men are quick to recognize savings in manpower and equipment expenditures through reduction in handling operations, now made possible by Huge-Haul's big-load detachable bodies. It will pay you to take a new look at your handling operations and compare them with the tremendous savings afforded by Huge-Haul. Get the big story now! Send for full details and name of your nearby Huge-Haul dealer.

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tightened up all along the line. For example, each salesmen's sales record was carefully checked each month, and those who failed to measure up to their territory sales goals were replaced with better-qualified talent. Those with more than five months' experience were given 30 days to meet their quotas, while newly hired salesmen had 60 days to prove themselves.

At the same time, the sales quotas of branch managers were increased 50 per cent.

● **More intensive sales training.** To make it possible for salesmen to approach their quotas, the company embarked on an ambitious sales training program. Fifteen additional sales trainers were assigned at the branch level. Each trainer spends half his time selling for his own accounts in a territory about half normal size. The rest of his time is spent making calls with salesmen. This is part of the company's management development program.

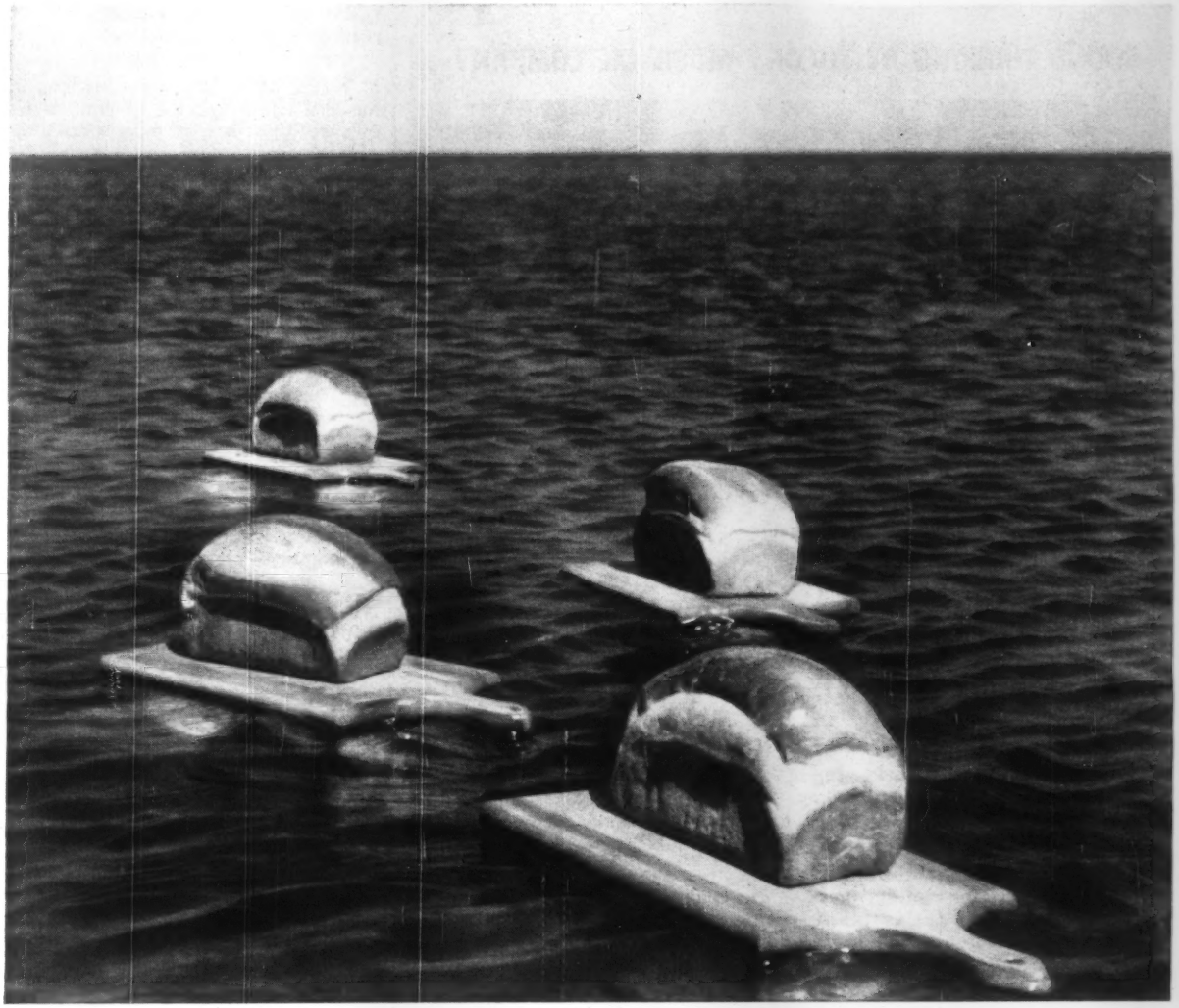
In addition, four other sales trainers were appointed at the regional management level. As part of their responsibilities, they instruct salesmen and managers in how to make the best use of direct mail and advertising leads.

A task force of home-office product specialists began a round of visits to branches to instruct salesmen and branch managers in product information. These specialists came from departments other than sales—in most cases, product development.

● **New benefits for customers.** These included easier credit, leasing, and new products. The company will now sell office equipment on a 15 per cent down-payment, 24-months-to-pay basis. In addition, a plan providing for complete payment within 60 days, interest-free, has been initiated.

To expand the market to companies that prefer not to tie up capital in office equipment, Pitney-Bowes began offering its machines for lease as well as for outright purchase. In addition, a new low-priced collator was rushed on to the market, along with a new folder-inserter.

Perhaps the sharpest spur to hard selling itself came from a short memo sent out by Elwood M. Davis, Vice President—Sales and Service: "Effective immediately, and in the words of our President, the Home Office Sales Staff (including Yours Truly) will get the hell out of Stamford and spend most of their time in branch offices where they can do the most good now stimulating sales." —T.K.



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When you take your international trade problems to the people at The Chase Manhattan Bank, the services of a world-wide network of 51,000 correspondent banks and branches are immediately at your disposal.

Whatever, or wherever your problem, you get the overseas help you need from the banker-at-the-spot . . . the man who has an intimate knowledge of local trade conditions and knows how to make them work for you.

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Here at home, experienced men in the International Department sit down and talk things out with you personally. They work with you on a basis of individual analysis and imaginative planning. And knowing the right men in the right places, they can quickly contact the banker-at-the-spot who can best help you.

If you have import or export problems, phone HAnover 2-6000 or write to International Department, The Chase Manhattan Bank, 18 Pine Street, New York 15.

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YOUR CORPORATE IMAGE

continued from page 34

its walls, he is intensely conscious of the leadership expected of him. In his own words, he is pitch man, spark plug, and personal example. He may like or balk at the role, but he is compelled to play it without much let-up.

He goes to breakfasts, luncheons, and banquets; he travels widely, enlarging his influence within and outside the company, as he encourages executives and develops employees to "help set a climate." Often, he encourages other executives and employees to participate in civic, philanthropic, and cultural affairs. Frequently, he promotes the company image in such ways as these: "Adopt the policy—live it—sell it to our people," "Work toward creating an organization that will speak for itself," and "By applying myself, in what I regard as a friendly manner, to my assignments, whether people, product, or problems. Friendly, but not necessarily vague or indefinite." Or, as another panelist describes what he does personally to further the company image: "Every damn thing I possibly can."

And, when he isn't talking privately, which takes up a good part of his time, the president may well be making a public speech.

Speaking up outside

Although one out of ten company presidents on the Panel does no public speech-making, the other nine regularly make anywhere from one to 30 speeches a year. One president says he makes almost one a week—a total of 50 in the course of a year. Typically, though, the Panel president gives seven or eight speeches a year. A finer breakdown reveals that four out of ten men make from one to five speeches a year; three out of ten men give anywhere from six to ten "major" speeches; and two out of ten men give anywhere from one to two dozen or more speeches annually. This analysis excludes about 10 per cent of the Panel—who say, without offering figures, that they give few "formal" speeches, or speak "when warranted" or "infrequently."

One explanatory comment from a president highlights the fact that the president's responsibilities include a great deal of official talking he does not classify as public speaking. "During the course of the year, I make few formal speeches. However, I am constantly called upon (several times each week) to talk informally to our sales and factory personnel; to serve as emcee for various luncheons and dinners; to speak for my company before committees and membership of the many associations in which we are interested."

Whether or not to accept a speaking

invitation depends for some presidents primarily on the importance of the occasion, of the sponsor, of the audience—and to the company. For some, it is primarily a matter of time, travel, and convenience; for some, the decision depends primarily on the subject. Many more presidents weigh all these—and other—factors in deciding whether a speaking date will be accepted or turned down. Typically, one man reports that the decision depends on "good will for the company, customer and consumer interest, set against the demands upon my time and drains upon my energy." Or, in the words of another: "Will it help profits or sales? What other demands are there upon my time? Have I turned down similar requests or accepted?"

Presidents prefer to talk about what they know and, almost as often, what they believe in. This often adds up to a common speech formula: the operations of the company and its role in the free enterprise system. A typical comment comes from the president who says the "subject must be one I am familiar with and that has a bearing on our business or the free enterprise system."

Most like to talk

Of the presidents who regularly speak in public—90 per cent of the Panel—seven out of ten enjoy making speeches. Both these and the others, who dislike speechmaking, shade their attitude with many qualifications. All of them feel that the drudgery and time it takes to prepare a speech are the big bugaboo. Many presidents, not surprisingly, give yes-and-no answers to the question: "*Yes* in the sense of the satisfaction involved and *No* because of the grubbing and hard work spent in preparation."

Most of the presidents who like speaking mention such values as the "contacts" or "opportunities to meet interesting people," and often say they "particularly enjoy the discussions that frequently follow a speech." Not uncommonly, a man says he is "always tense before, rarely during a speech." The before-and-after contacts constitute a "good method of two-way communication," say many men, and result in "stimulating conversation with men who have comparable problems." Says another, "There is no substitute for face-to-face talking with folks in all walks of life." The typical president particularly enjoys speaking "where the audience is responsive." He likes to speak, too, when it "comes easily" and when he is "good at it." And to "present our point of view where it counts."

One president says quite frankly of his speech-making, "There are few duties I enjoy less." Many others dislike giving speeches because "I don't consider myself good at it," or "because

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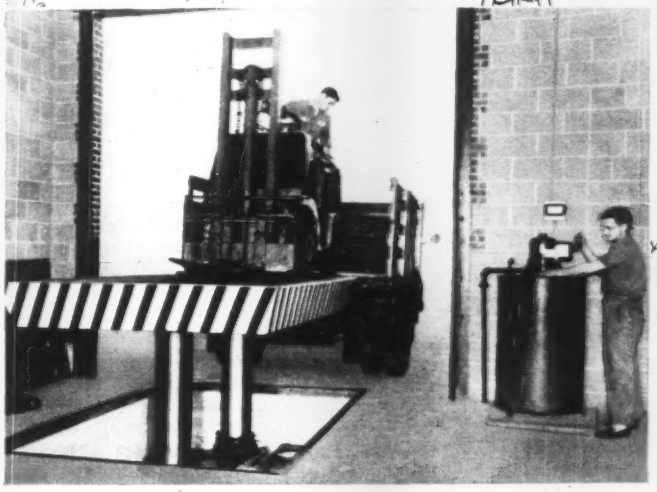

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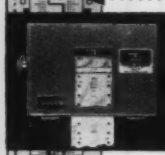

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of the strain involved, caused by the fear of being ineffective." One president sums up the views of many of his colleagues in these words: "I cannot say that I enjoy speaking engagements, but I do what I feel is necessary for the good of the company."

What does it cost?

PR practitioners, cynics, and neutral observers as well like to point out that every corporation has public relations whether it wants them or not. "It has them because the corporation deals with employees, stockholders, customers, neighbors, government functionaries, and many others—with all of whom it has many relationships," says John W. Hill of Hill & Knowlton. Hill adds that public relations becomes a *function* "when management decides to guard, improve, or develop this asset."

Elsewhere, public relations has been sized up as "being good and getting credit for it." But getting credit has its price. To find out just what that price is, DR&MI asked Panel companies for a rundown of their annual budgets for the public relations function. The answers highlight some problems in pricing and pigeonholing a function which is defined variously from company to company and often not really defined at all.

Of the companies—three-fourths of the Panel—who have a formal PR budget of some kind, the typical yearly expenditure (a median figure) is $117,000. The budgets range from $5,000 to several exceeding $1 million. Three out of ten of these companies report annual PR budgets of $50,000 or less. Two out of ten have annual PR budgets between $51,000 and $100,000; three out of ten, between $101,000 and $250,000. The other two out of ten make a group spending generally between $251,000 and $500,000 annually on PR, although a few companies spend from $500,000 to more than $1 million.

Exactly one-fourth of the responding Panel companies eliminate themselves from dollar tabulations: 10 per cent have no PR budget (although these companies often say they spend money for PR where, when, and as needed); another 10 per cent decline an answer, some because they don't know and some because they don't want to say; and 5 per cent give miscellaneous answers. This minority includes companies that carry their PR expenditures in advertising, sales, and administrative budgets.

All this raises the familiar question: *What* does public relations, from the budget-maker's or any other point of view, include? A number of the presidents explain the figures they report: some low budgets include salaries, some high ones do not; some include such substantial expenses as institutional advertising, house organs, and stockhold-

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er relations; several quite large budgets represent headquarters staff functions only, while some rather low ones reflect community relations "at local plant level primarily"; budgets may include or exclude a share in trade association or institute expenditures (see box on page 34).

Are promotion budgets down?

Despite the recession, public relations, advertising, and promotion activities are holding the line in 68 per cent of the Panel companies, although many presidents add that "these activities are subject to continuous scrutiny." One panelist says his company is maintaining PR services at the same "high level in view of the need for strong promotional activity in current economic conditions."

Four per cent of the Panel companies have actually stepped up promotion programs. But the balance—28 per cent—have cut them back. Where figures are cited, they run anywhere from 4 to 30 per cent, with 15 per cent the most frequently quoted over-all reduction. Among the activities drastically reduced are corporate or institutional advertising, "space in marginal media," dividend and other financial advertising, outside professional counsel, house organs, and charitable contributions. Other companies have entirely eliminated house organs, special events such as company anniversaries, open houses, conventions, trade shows, and regional stockholders' meetings. Some companies have let promotion people go, and a good many have deferred "increasing staff" and specific long-range projects. A substantial number of companies, whether spending more or less on promotion, have shifted emphasis and changed targets. One company, for example, has "curtailed" advertising, "retarded" PR, but "stepped up promotion directly to customers." Some others say their promotional programs have been "reduced in cost but not in results."

Asked for their views on what nonbusiness areas should get more attention—and bigger contributions—from their companies, Panel presidents make a strong plea for increased educational aid, better community relations programs, and more political activity. But educational aid is singled out as the "greatest unmet need" by 42 per cent of the Panel, with exactly half as many stating that community relations deserve increased company emphasis. A small but highly articulate 8 per cent minority would like to see their companies more active in politics.

But whatever their areas of special interest, the presidents commonly point out that "grass roots activities are the most effective." They believe that educational aid, like charity, should

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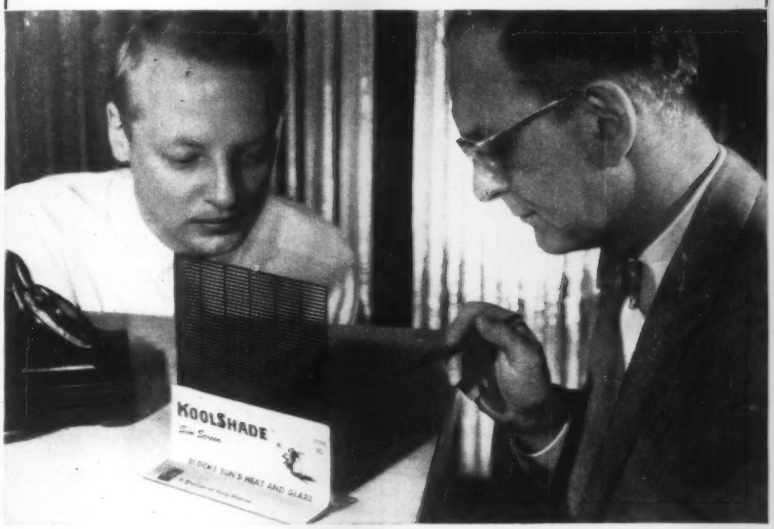

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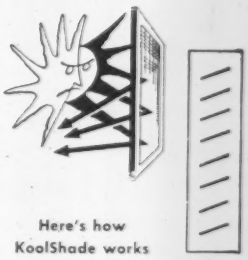

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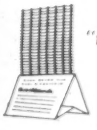

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begin at home. Many favor increasing employee scholarships and grants to colleges in or near plant communities. But often, too, they urge that business needs to aid higher education "for country and for company" (a phrase that turns up time and again in the replies). There are other reasons as well: more business aid to education, a good number of presidents believe, saves the company money for technical and other training it might otherwise have to do itself. And, as many men point out, it helps to ease the recruitment problem.

While presidents are less explicit about their reasons for desiring better community relations programs, their replies suggest that such programs pay off in better plant morale, community acceptance, and union harmony. Practically no company presidents see a specific need for increasing charitable contributions, although 13 per cent of the Panel would like to see their companies do more in *all* areas. In contrast, a larger group—16 per cent of the Panel—feel they are already doing enough or too much.

Few public relations activities rile the typical DR&MI Panel president more than "publicity for publicity's sake." Five out of ten men scorn what one of them terms "out-and-out press agentry." The adjectives they use in describing their pet publicity peeves—glib, superficial, gimmicky, headline-hunting, fraudulent, contrived, fancy, glamorizing, gaudy, smart, ingenious, high-powered,

Panel Presidents' Pet PR Peeves

Five out of ten Panel presidents object to company promotion distorted by press agentry. One in ten men is critical of personality build-ups. Another one in ten decries company publicity support for political causes. The rest of the men scatter their pot shots over trade associations, charity, institutional advertising, professional counsel, do-gooders, and other forms and agents of company promotion. Here is a sampling of opinion:

Press Agentry vs. Sincerity

"Repetition of the carnival stunts and publicity gimmicks of the 1920's will lead to public mistrust of any activity with a public relations tag."

"Inaccurate, premature public statements about company policies, financial matters, properties, personnel, or products hurt business generally."

"I do not approve of financial PR that attempts to bull up the stock market without sound foundation."

"Semi-synthetic public relations based on use of outside public relations counsel who try to create an image based on what the company would like to have people think it is, rather than what it really is or can be."

"Those areas which may be called 'talk' instead of 'action.' A company is judged more by its performance than by the things it says about itself."

"Any type of public relations activity which is not handled by professional people competent to gage the effect upon public opinion."

Politics

"Any participation in political activity creates as much ill will as good will."

"Political pressure groups and lobbying groups with all their manifestations of ill-considered hysteria."

Personality Cults

"I object to personal publicity. Too many recipients believe what they read about themselves."

"Activities designed to promote the man rather than the company. I do not believe in the 'indispensable' man."

"Object strongly to personal publicity which creates in the public mind the false image of a corporation as a one-man management run by its president."

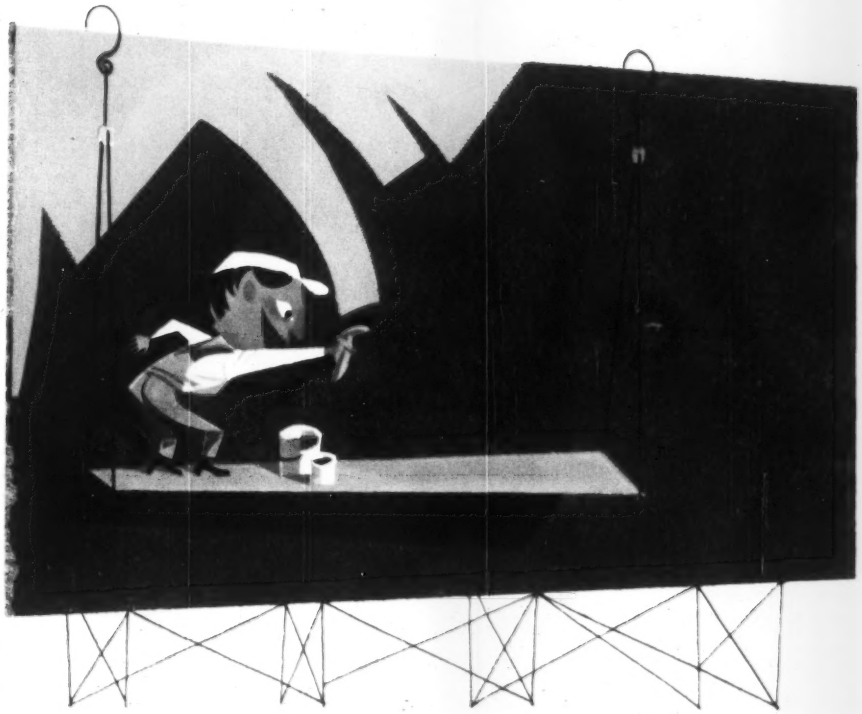
Other Pot Shots

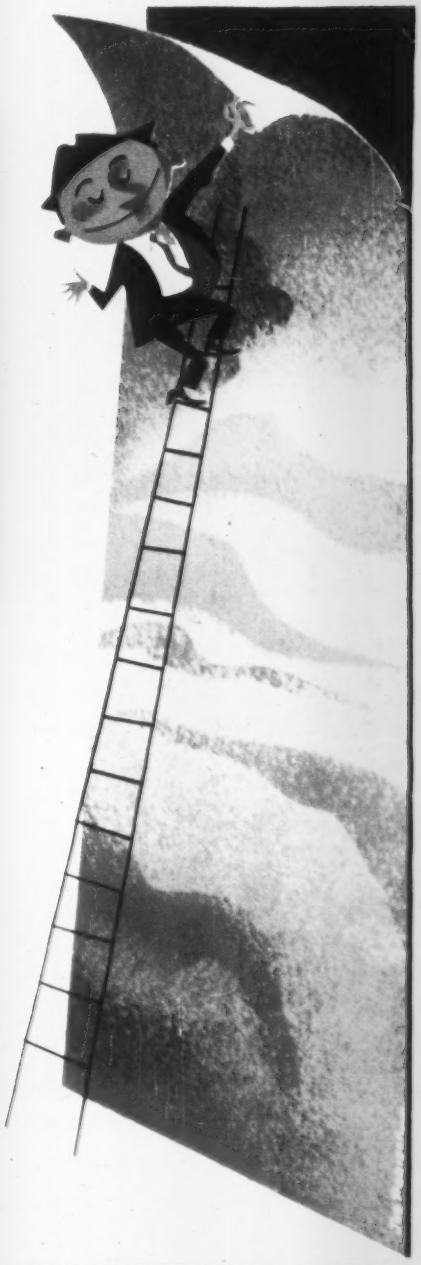
"It is my opinion that there are many trade organizations that have 'staffitis' and need a thorough overhauling."

"Most formal activities, because they may represent form, not spirit, and they tend to become stereotyped, meaningless, and 'wishy-washy.'"

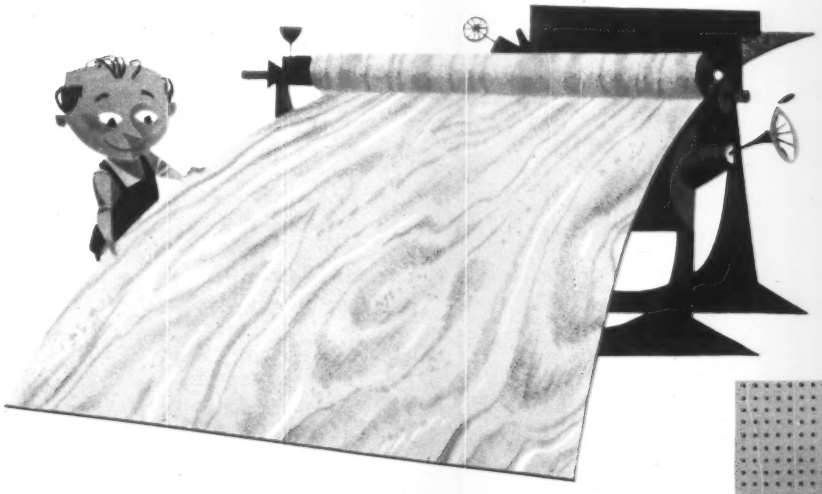
"Large-scale entertaining. Those who are invited are generally your friends to start with; those who are not never forgive you for being left out."

"Biased, opinionated, or broader 'do-good' programs which sometimes turn out to have doubtful motives."





MASONITE MAKES THE NEWS



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misleading, synthetic, and flamboyant, among others—suggest the high value they place on integrity in public relations. The same men frequently indicate that they have no objection to publicity *per se,* provided it is sincere, sound, factual, and competent. The majority thinking of this group is summarized by one president thus: "We are most skeptical of the so-called free publicity which seeks public recognition for the sole purpose of self-aggrandizement, either for the company or management. We recognize our responsibility to keep the public informed of company activities and products through dissemination of legitimate news to established news-gathering agencies."

One out of ten men objects to "personality build-ups"; another one out of ten, to out-and-out partisan company stands on politics. The rest—three in ten—mention other pet peeves: trade associations, institutional advertising, fund-raising, and "do-gooders." One says, "Basically, I am somewhat skeptical of all full-fledged public relations programs." (For some other comments, see box on page 66.)

No clear pattern emerges from the presidents' answers to the question "What is your company's No. 1 public relations problem right now?" But a number of specific currently crucial public relations problems are pinpointed in the replies. Product acceptance is most commonly mentioned, along with plant community and labor problems re-

More Business Action:

School House, Soap Box, Plant Town

More than eight out of ten presidents on DR&MI's Panel would personally like to see their companies give increased support to such non-business areas as education, community relations, and politics. The rest believe that they are doing enough, or that these activities are becoming a burden. Here is a rundown of typical views:

42 per cent of the Panel urge more educational aid:

"I think education is the best 'buy' on the American scene today. Tuitions have not kept up with costs. Therefore money must be raised elsewhere. I believe industry has a big stake in this."

"Such institutions must have strong business support if they are to supply the high caliber of manpower needed by industry."

"Besides the general good this accomplishes, it can bring us returns through better recruiting opportunities."

21 per cent want better community relations programs:

"I would like to see the officers and officials of our company take more active interest in community activities and trade organizations: also accept more speaking engagements in connection with community activities and educational endeavors."

"Community acceptance of the company gives our employees further sense of accomplishment and the company a good atmosphere in which to operate."

8 per cent of the Panel—a small but highly vocal group—want more political action from business:

"Unless business men in general develop more courage and more vision in the field of political participation, they are going to keep on getting murdered by the labor monopoly at an accelerated rate."

"In my opinion, the business man has got to become more of a force in conservative politics or the private enterprise system will get a severe setback."

13 per cent of the Panel favor increased company support in all non-business public relations areas.

16 per cent of the Panel believe their companies now do enough—or too much:

"This is an area in which we have been overboard for a long time. I hope we can continue to afford the luxury of so much time from key people for these activities."

"Think we are at the limit now."

"I do not believe management should give away one dollar of stockholders' money for any cause, no matter how worthy."

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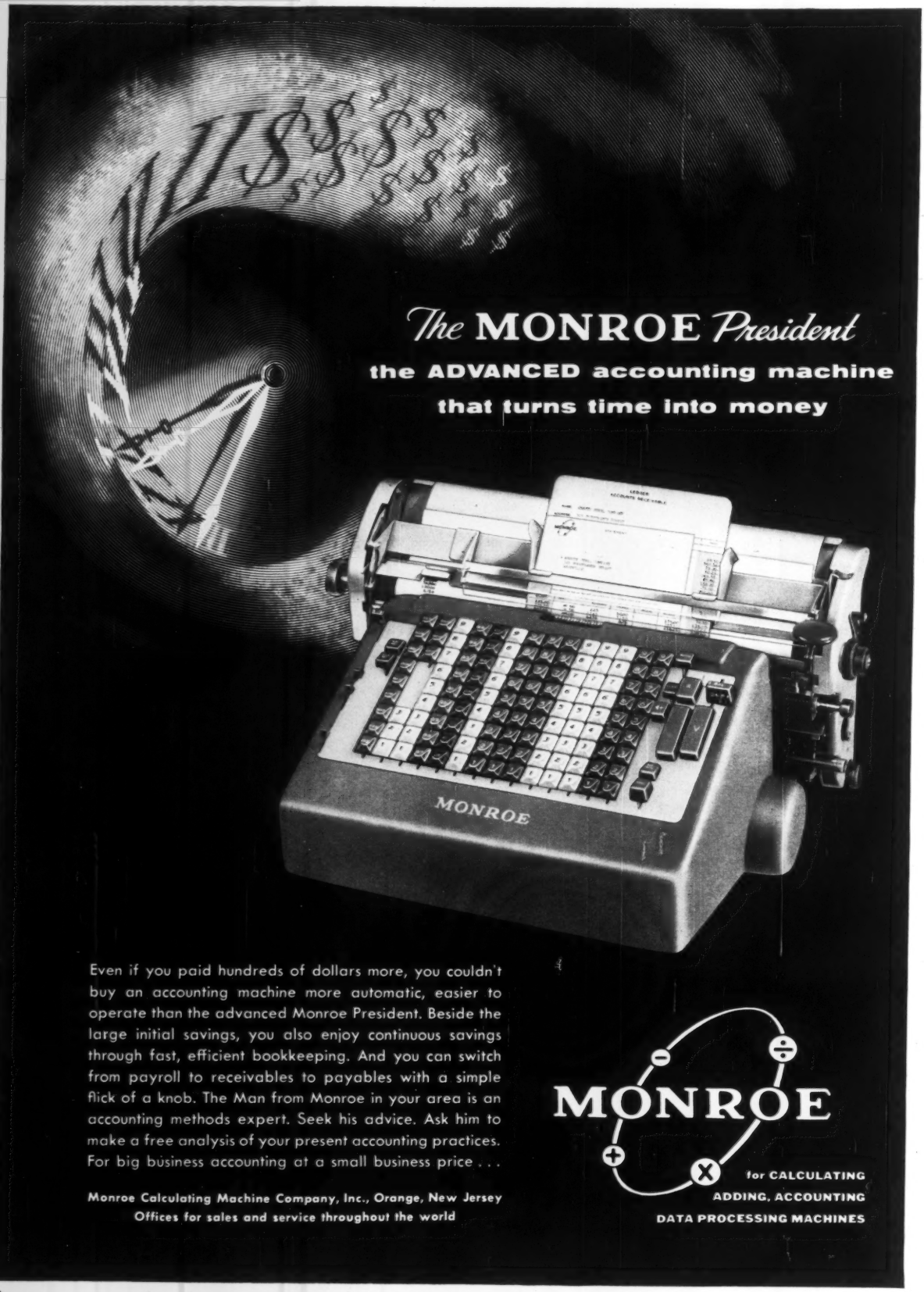
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sulting from layoffs and, in some cases, the installation of higher-productivity machinery or equipment. In the latter connection, some men believe it is imperative to "arouse the public against labor's featherbedding and resistance to automation, which in time will lose markets for this company and eventually our country."

Diversification presents a common problem, too. Companies that have introduced new lines, acquired other concerns, merged, or changed their name face the problem of starting almost from scratch in establishing a public identity, particularly when they have long been known for other or more limited activities. Again, for many Panel companies the top problem is explaining and justifying high or rising prices. More than one-third of the companies are less specific; they see their chief PR problem simply as a matter of gaining wider and better public recognition. And many are inclined to view their main problems as preserving free enterprise or combating such intangible threats as the "anti-big-business climate."

Many companies have to spend time and money to make themselves more welcome in communities where they are regarded as a nuisance. Air and stream pollution, odor, and noise create expensive problems, a handful of presidents report. A good many companies are suffering from the stigma of association with "sick" industries (several textile companies mention this), or industries whose products are under attack as injurious to health. Chemical, baking, and tobacco industries refer to "vicious, ill-founded attacks."

Lower profits and smaller earnings are the main public relations headache for a lot of companies. Among these, one president says his company's main job is "to improve our earnings. Then we can worry about the public impression that we make too much money."

Then there is a variety of special, but noteworthy, company PR problems. Among these maverick situations in need of PR help are "overcoming the effects of too much paternalism in years gone by," "sensational reporting in the press of incidents such as fires and minor explosions, and dramatizing assumed harmful effects of chemicals," and "getting our stock up to its true value." In fact, the current No. 1 company public relations problem, judging from the presidents' replies, can originate in almost any business action or fortuity that becomes public.

Is business on the right track?

While there appears to be no end to the variety of the public relations activities U.S. business engages in, company presidents don't necessarily think business is doing enough, well enough. A surprising unanimity emerges from

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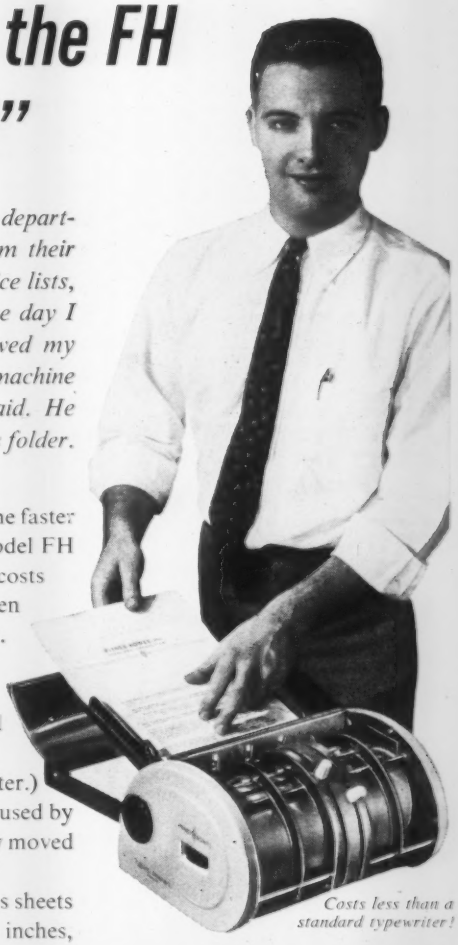

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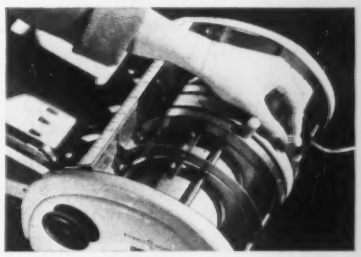

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the Panel's answers to the question, "What, if anything, do you think U.S. business should do to better its public relations?"

Bluntest of the statements summarizing what an overwhelming majority of presidents consider one of business' biggest PR blunders is this one: "Stop pontificating and listen at least half the time." Dozens of other panelists charge that business has too long and too often played windbag in the court of national opinion. They feel it has been "didactic," "paternalistic," "backpatting," "platitudinous," "inarticulate," and "stuffy." One says flatly, "The majority of business leaders are woefully immature."

Management takes a stand

Many panelists argue that the time has come for business to throw off its defensive attitudes and meet its attackers head on. "We have a good story," in the words of one panelist, "but we're not telling it often enough." Typically, another president proposes, "U.S. business should tell its own story accurately, but more forcefully, emphasizing the need for profits and attempting to eliminate the stigma attached to earnings." Although a few presidents say that labor is to blame for popular antagonism to business, many more believe this is management's own doing, that smugness, secrecy, and spinelessness clog the channels of communication.

Panel presidents appear to be convinced that if the public once clearly understands the "real economic facts of life," hostility to profits, earnings, and even bigness will fade away. And business' first job, say these presidents, is to sell the system by stating facts in layman's language.

Many presidents make earnest and articulate appeals, but few typify the Panel's thinking better than this:

"It seems to us that U.S. business can do a better job of interpreting corporate economics to the general public. People must be made to realize that corporate profits are indispensable to our progress as a nation; that such profits are the source of all personal incomes to employees, to stockholders, and through them to everyone with whom they do business, including retail establishments, service organizations, and the professions. The American public must be made to realize that hard work made this nation great and only hard work will keep it great. Unless we again learn to do a full day's work for a full day's pay and to educate our youth as intensively as Russia is educating theirs, we will eventually have to surrender our present position as world leader. Superficially, these problems may not seem to be within the scope of American business. Yet their successful solution seems to be essential to our growth." END

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Brief Reviews of New Business Books

Economics of Wealth

THE AFFLUENT SOCIETY *by John Kenneth Galbraith. Houghton Mifflin Company, 2 Park St., Boston, 368 pages, $4.75.*

A controversial economist challenges one of our society's basic assumptions —that the ever-increasing production of goods is an index of progress. Galbraith discusses this "myth of productivity" in relation to U.S. economic stability and national survival.

The Making of Executives

THE LEARNING PROCESS FOR MANAGERS *by Nathaniel Cantor. Harper & Brothers, 49 East 33rd St., New York 16, 154 pages, $3.*

Though frequently at pains to restate the obvious, this adds up to a perceptive and potentially helpful psychological analysis of the management development process.

Second Industrial Revolution

AUTOMATION IN PRACTICE *by S.E. Rusinoff. American Technical Society, 850 East 58th St., Chicago 37, 261 pages, $6.50.*

This useful survey of the newest automation techniques in the metalworking industry discusses the basic principles of self-regulation, negative feedback, and so on, as well as their practical applications in the manufacturing process.

The Art of Persuasion

THE MASS COMMUNICATORS *by Charles E. Steinberg. Harper & Brothers, 49 East 33rd St., New York 16, 470 pages, $6.*

Marketing men should be interested in this study of opinion formation and its relation to mass media. Writing from his experience as Director of Press Information for CBS Radio, the author discusses the history of the mass media, their potentials and limitations.

Organizing for Profit

MANAGEMENT AND ORGANIZATION *by Louis A. Allen. McGraw-Hill Book Company, 330 West 42nd St., New York 36, 353 pages, $7.*

Full-dress treatment of the whole range of organizational problems, with emphasis on the profit-and-loss aspects.

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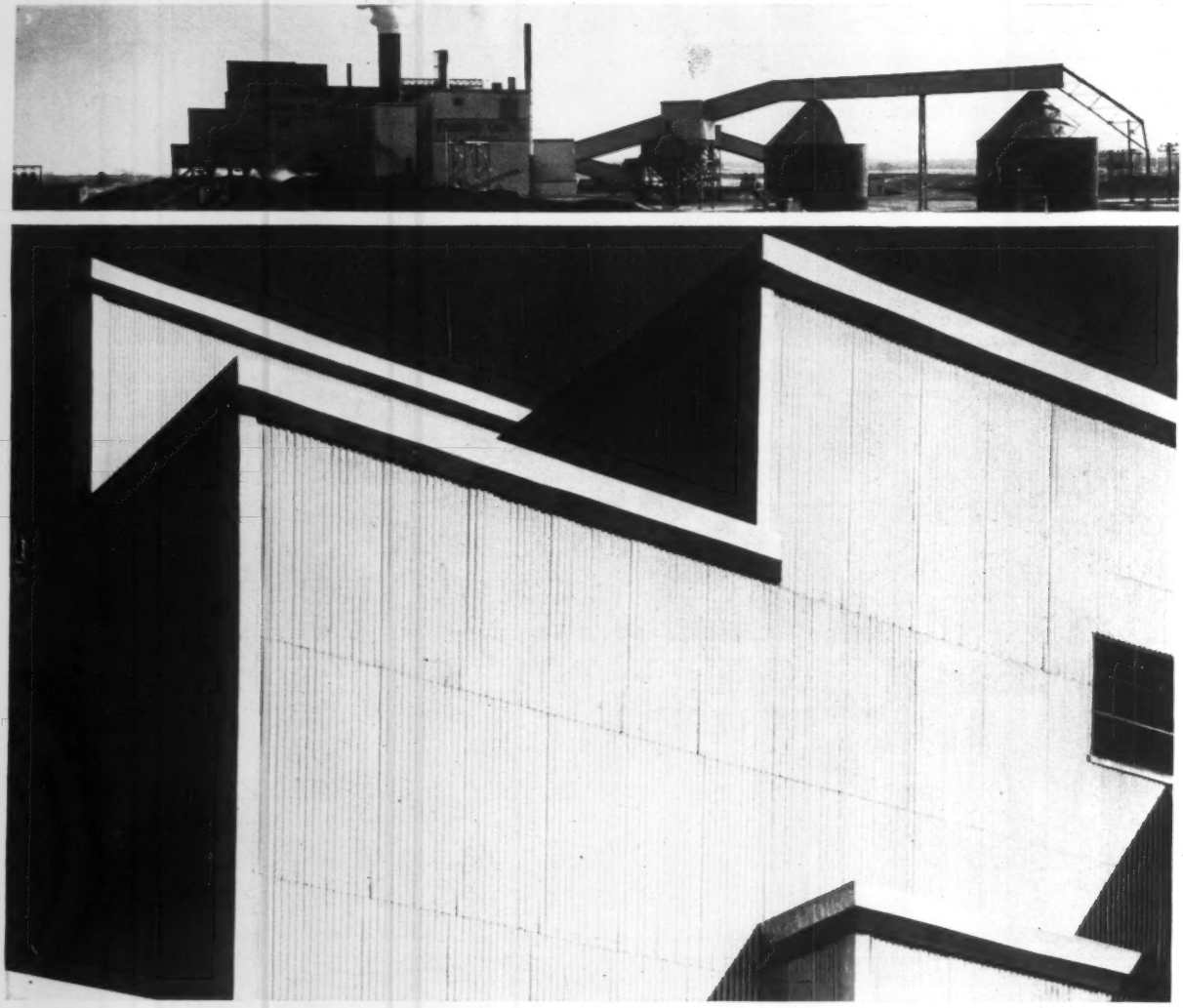

The Peabody Coal Company River King washing and preparation plant at Freeburg, Illinois is entirely covered with corrugated Stainless Steel sheets. By specifying Stainless, Peabody practically eliminated maintenance costs even before the plant went into operation.

This building will never need paint

Peabody Coal Company covered their entire coal preparation plant with corrugated Stainless Steel sheets. It was the most economical material to use!

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Monetary Controls Ease the Downturn

First in a series of interviews with prominent Washington personalities whose decisions and opinions influence the world of business.

PAUL WOOTON, *Contributing Editor*

ANY RECESSION is serious, no matter how slight. A situation which results in unemployment should be a major concern to public officials, to business executives, to labor organizations, and to lending institutions.

That's how William McChesney Martin, Jr., Chairman of the Federal Reserve Board and a firm believer in free competition, prefaced his reply to this editor's question, "What is your personal philosophy regarding the turn the economy has taken?" Then Martin added: "But when recovery comes we should recognize that as the right moment to make sure inflationary forces, which are the real causes of depression, are kept in check. The best way to fight deflation is to fight the inflation that leads to it."

In times past, when inflation was rampant, says Martin, few persons were asking him how serious it was. His callers' chief concern then was how they could borrow at lower rates to forward this or that "essential" project.

The great mistake of that period, Martin believes, was the failure to realize that lasting prosperity does not come from increased spending, but from more efficient production and distribution of goods and services at prices people can pay. "Prosperity must be earned," he declares. "It cannot be obtained from gifts by government."

Martin is convinced that the Federal Reserve did everything within its power to keep the boom under control. Though he regrets that its actions were not more effective in checking the rise in time, he believes the Board showed considerable foresight; its change of policy, on October 22, 1957, was made before there was any general recognition that the reaction was beginning. It eased the downward pressure by purchasing securities in the open market. Shortly afterward, it cut the Federal Reserve Bank discount rate from 3.5 to 3 per cent. In January, it reduced the rate to 2.75 per cent, in March to 2.25, and in April to 1.75 per cent. Finally, by authorizing three reductions in reserve requirements for member banks, it released a $1.5 billion of reserves for use in expanding credit. Martin does not think the Board's past policies can be successfully attacked.

FRB Chairman William McC. Martin, Jr.

Interest rates on the short end of the market have dropped dramatically. In fact, the effect of the FRB's monetary policy has been more striking than most people realize.

Martin feels that prices, income and debt had more to do with triggering the recession than "tight money." With consumer borrowings rising faster than consumer income, credit expansion could not be sustained indefinitely. Rising costs and prices distorted the economic structure. Wage increases that exceeded the rate of productivity contributed to the price rise, which, in turn, slowed down consumer buying. Consumer resistance finally caused consumption to lag behind output.

However, when the demand for credit slowed down in September, credit was eased with "unprecedented and remarkable" speed, Martin believes. The banks' prompt use of the available reserves touched off the sharpest decline in interest rates on record. Businesses used the proceeds of new capital issues to pay off short-term loans and to improve their liquidity. State and local government issues set a new record. This promises to be a continuing stimulating factor, Martin believes. Corporate issues are climbing toward the all-time high attained in 1957.

Though a sound monetary policy continues to ease the recession, other steps must be taken to assure prompt recovery, Martin asserts. He mentions sounder business pricing, improved selling, increased efficiency, more realistic wage bargaining, greater consumer incentives, and better financing arrangements. "If such measures are promptly taken, there is every reason to believe that a healthy revival will result and new records will be set in economic performance." END.

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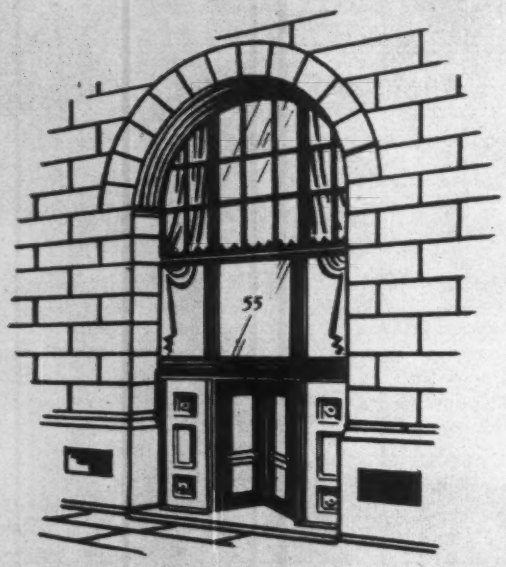

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BUSINESS GIVING

continued from page 35

made during the past decades lost. Here are two dangers to avoid:

● **Exceeding dollar-and-cents limitations.** Recent court cases have given great latitude to corporate social-welfare undertakings. The board of directors can readily justify a wide range of external activities—legally. As a result, corporate giving and participation in educational and community activities have proliferated amazingly.

The case for dividends

But legal justification doesn't make all such activity economically sound. Management's first responsibility is to maintain a healthy company. Though corporations do not exist for the stockholder alone, his interests must come first. Short-term demands of stockholders cannot be fully subordinated to long-run profits. "In the long run," as Lord Keynes put it, "we are all dead." Often enough the complaint of the North country trapper-stockholder of a New England company is very much to the point: "When times are bad, you say you can't afford to pay me a dividend. When times are good, you say you can't pay a dividend 'cause you need to plow the profits back into the business. Now, what I want to know is—when the hell *do* I get a dividend?"

This is not to say that every stockholder demand should automatically be met. In certain recent proxy contests, management has shown a heartening readiness to speak out for longer-range projects in the face of acrimonious stockholder dissent. Nevertheless, some analysts maintain that a sizable share of present-day corporate expenditure in external areas should be eliminated and paid instead in the form of more adequate dividends and lower prices. Then, each stockholder and consumer could *individually* support community and charitable activities.

Too big a job?

Is this realistic? Many would argue that, palatable as this point of view may appear—stressing, as it does, individual responsibility—it doesn't really solve the problem. Individuals either cannot or will not measure up to existing needs, and critical areas of social welfare may therefore be neglected. Only the group activity of a large-scale organization, they maintain, can fill this gap. And this means the business corporation—unless, by default, the Government steps in.

This problem gets knottier still in periods of business fluctuation. When times are good, business generally expands its external activities, often on a wide scale. In doing so, it tends to set up patterns of illusory responsibility, based primarily on public associ-

ation of the corporate activity with corporate *responsibility* for the activity. However, should business temporarily turn down, these expenditures may have to be cut back (particularly if they cannot be justified in terms of strengthening the shorter-run economic position of the company). The company is then accused of shirking its responsibility—a responsibility that, in fact, it did not have in the first place.

For the larger companies this is a particularly difficult problem. The public seems to expect better corporate citizenship from these firms than it does from smaller ones. Therefore, the big corporation, in assuming an external commitment, must be particularly careful to make clear to the stockholders that this cannot be blithely dropped at the first sign of a profit pinch.

● **"Do-goodism."** Let's assume, though, that corporate funds for external relations have been carefully allocated, meeting the legitimate needs of both the stockholders and the community. A second danger remains: seemingly inherent in doing a good deed *in public* is the element of self-pride. Corporate external relations must be carried out in the public eye, and most business men feel that legitimate public-relations values should accrue to this effort.

Pride before a fall

In this lies the hazard. Self-righteousness and sanctimoniousness have always been extremely unpopular attributes. Furthermore, they can turn an individual or a company away from honest self-appraisal. A number of today's corporations have become so pious in their espousals of good works that they are beginning to place more emphasis on corporate than on individual values. Paternalism, no matter how benevolent, is undesirable, and, unfortunately, some contemporary social responsibility amounts to just that. Consider the following situation:

The president of the dominant company in a Midwestern manufacturing center, egged on by his wife, became intensely interested in problems of mental health. Not only did he personally support the mental-health clinic in the town, but he also committed sizable company funds to it. Soon it became understood in the company that one could gain favor by expressing interest, in terms of time and money, in the clinic. Thus artificially stimulated, the general interest in mental health hampered the efforts of other social-welfare agencies. Worse yet, it encouraged supervisors in the firm to become amateur psychologists eager to refer employees to the clinic. A legitimate interest was thus corrupted into a 1984-style nightmare.

Proceed with caution

This case is an extreme example, but it does point up two conclusions:

● First, in committing itself to any one of the many types of social responsibilities, a company must understand that it is establishing a pattern that can easily result in the assumption of long-term responsibility.

● Second, self-righteousness is a particularly serious fault when practiced by individuals in positions of power. Support or criticism by top management of organizations outside the business carries with it the responsibility not to exert inordinate influence. Even if this influence is sound, there is still danger that it may get out of hand.

The American business man, through his company, has moved far in the past decade toward assuming a full role as a corporate citizen. But has he moved too fast and too far? Has he assumed too wide a range of responsibilities outside his own firm? Is he violating his own sense of values and that of his employees? Honest answers to these questions, free of sanctimonious claptrap, are overdue. END

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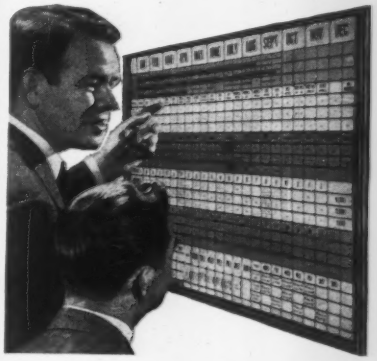

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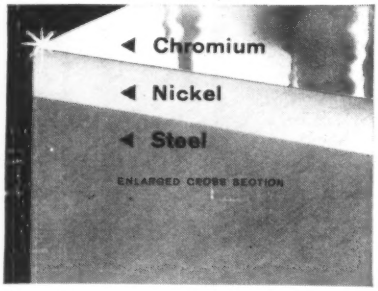

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Alloys and Bondings

Four recent developments in metallurgy offer new and interesting fabrication possibilities. Most startling—and most specialized in its present application—is nicrotung, an alloy of nickel, chromium and tungsten which boasts the amazingly high operating temperature of 1800° F. This is about 150 degrees higher than the operating temperature of present jet turbine blades, the principal application for this new alloy. Now under evaluation, nicrotung was developed by Westinghouse scientists using a new scientific "design" approach, a big jump over laborious cut-and-try methods.

Nicrotung pushes the operating temperature of present metals to their limit. The next step will be molybdenum, after scientists learn how to coat it with a ceramic film to keep out oxygen.

Another new development is an aluminum alloy which has the bright finish and stain resistance that are so desirable for many consumer products. Developed by Aluminum Company of America, the new alloy has so far been tested for use in cooking utensils, but is also expected to have applicability in optical frames, jewelry, and trim on appliances.

Though aluminum and steel have always been difficult to join together, Battelle Institute has developed a new process for bonding steel wire with aluminum. The wire, developed for Copperweld Steel Company, has wide applicability in power transmission for long lines. The aluminum will conduct the current, and the strong steel wire will support the load.

A newly developed brazing process promises to solve the problem of joining metals with widely divergent melting points when fasteners can't be used. Welding can't join materials where the fusion points are far apart, and adhesives and solders have too limited an upper temperature for many applications. The new brazing process is carried out in a closely controlled furnace at about 1100° F, the flow temperature of the brazing alloy.

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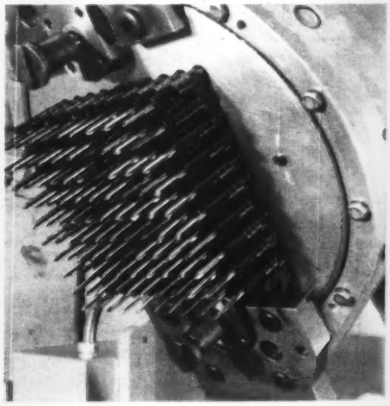

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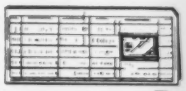

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FIGHT A RECESSION

continued from page 40

pour money into new products, advertising, and selling." This thought is repeated in many ways by other presidents. Warner & Swasey's Walter K. Bailey advises: "Cut the cloth to fit the pattern. Make every effort to cut back nonproductive expense, except sales and development."

Even though most company heads consider cost control essential to a thriving business, many presidents say that good times inevitably allow wasteful practices to creep into a company's operations. But, they repeatedly add, cost control should be constant, in good times as well as slack. Underwood Corp.'s president Frank E. Beane, for example, puts his formula for company success this way: "Prior to any economic setback, reduce fixed costs to lowest possible level through adoption of a profit management incentive system at all levels. Calculate breakeven point. At time of recession, reduce variable costs, holding research and advertising expenditures at highest possible level commensurate with maintaining a sound cash position."

Toning up the team

Traditionally, Americans believe that hard work and outsmarting the competition will cut a sure path to success through almost any obstacles. DR&MI's Panel presidents are no exception, for they repeatedly assert their faith in hard work. Many of these men still vividly recall the depression of the 1930's and urge "applying the sagacity born of that experience"—sagacity and, as General Edmond H. Leavey, president of IT&T, adds, "hard work on the part of *all* hands, including top echelons." This, coupled with careful plans and a constant search for better ways of doing things, is the "normal formula for success in all periods."

While both labor and management resist being considered products or machines, increased human productivity is now getting top organization attention, according to a substantial number of company presidents. And it is not uncommon for top management to think metaphorically of the organization as a machine. For recession times, James F. Thornton, president of the Lummus Company, recommends "tightening up the whole machine; cut all inefficiencies in the form of practices and people—just a tougher policy for tougher times."

Several presidents point out that an economic setback may help to "build up morale and team spirit," as American Enka's president John E. Bassill comments. Of course, Bassill adds, concurrent with this advantage go "hard work, prudent trimming of overhead, no re-

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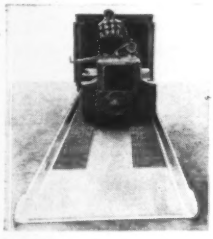

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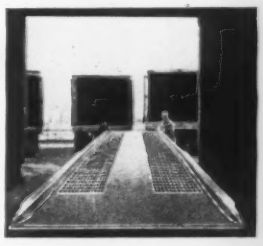

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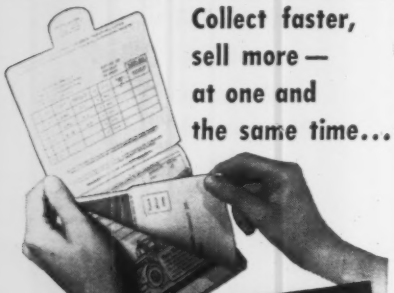

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laxation of soundly conceived scientific research projects, and maintaining faith in one's own ability to meet and solve problems—and faith in the longer-range destiny of the United States."

Diamond Gardner's president Robert G. Fairburn shares this view. He recommends the continuance of "broad planning and preparation for development and expansion, but great care in actual new commitments. Use this period to get the full support of the organization in elimination of surplus overhead."

Minneapolis - Honeywell's president Paul B. Wishart says now is the time for "ruthless elimination of products and procedures that are getting nowhere—putting your organization in shape to go places when business improves—working harder than your competitors."

Pullman-Standard Car's president Charles W. Bryan, Jr. suggests that a recession is an advantageous time to "re-shuffle organization and production tools to eliminate nonproductive features."

Philco's James M. Skinner puts a similar view succinctly, "We must learn to do more for less."

Getting ready for the long haul

While some presidents are bearish in their immediate thinking, all are bullish in their long-range expectations for their own companies and for the economy as a whole. Many of these men stress the importance of avoiding moves that may later turn out to have been penny-wise and pound-foolish.

As Hewlett-Packard's president David Packard says, although it is necessary to "cut current costs within reason and accept some reduction in profit," it is equally important to "increase emphasis on longer-term factors, such as research and development. Much more caution is in order, but the longer-term view should control."

Judge today by tomorrow

W. R. Grace & Company's president J. Peter Grace, Jr., proposes a careful appraisal of immediate action in relation to long-range consequences and advocates "maximum effort to control costs and overhead expenses, emphasis on imaginative sales strategy, close control of capital expenditures programs in relation to cash flow available." He concludes with the warning, "Avoid to extent possible policies which will put company at a disadvantage in getting its appropriate share of market when business upturn begins."

Koppers's president Fred C. Foy advises management to "concentrate on all areas of the business having to do with long-term growth. Eliminate activities which do not contribute to it. Economic setback provides management at all levels with the incentive necessary to do a thorough job of such elimination."

The Chesapeake & Ohio Railway's president Walter J. Tuohy comments, "The current hiatus in growth should be seized as an opportunity to consolidate gains, find and eliminate inefficiencies, and develop planning activities to exploit the inevitable resumption of growth in our economy."

Know what's ahead

In an interview preceding the annual stockholders' meeting, Richard S. Boutelle, president of Fairchild Engine & Airplane, was asked for his views on the company's toughest problem in long-range planning. His answer: "The hardest job is to find the problem that exists." Boutelle, whose company plans "ten, fifteen, even twenty years ahead," adds: "Unless management can plan for profits by gaging all the shifting trends in supply and demand, it is bound to falter and drop out of the competitive race. . . . We must keep pressing ahead with research and development, basic engineering, and prototype experiments. At the same time, we must turn out products to keep the show going."

Says Corn Products Refining Company's president William T. Brady: It's essential "to run a tight efficient operation at all times so that you have no loose cost areas to be concerned with during an economic setback. One should always maintain a perspective for planning ahead to take advantage of future opportunities."

Service and statesmanship

IBM's president Thomas J. Watson, Jr., suggests that business can best fight through troubled times by "continuing to provide the best possible equipment and service to customers."

Another panelist, Schering's president Francis C. Brown, stresses that during a recession, besides pushing R&D for new products, companies must continue "commercial statesmanship and adherence to sound and ethical business practices."

Herman W. Steinkraus, now chairman of the board of Bridgeport Brass, like many other industrial leaders, urges that companies "economize where possible, correct evils which crept in during lush times, sell hard, and bring out new attractive products." In conclusion, he says, "Swing with the punches."

In effect, what the top men on DR&MI's Panel are saying is that during a recession companies get back to the fundamentals of running a business and making a profit. This epigram by Lukens Steel's president Charles L. Huston, Jr., sums up the views of his colleagues on what the head of a company can do to counteract a recession: "Prepare for the worst; expect the best; and *don't* be satisfied with what comes." —KENNETH HENRY

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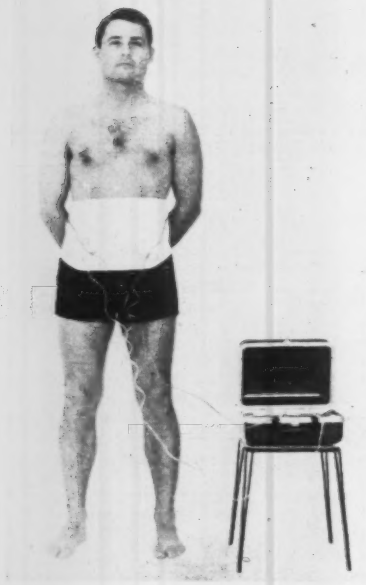

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The Reviewing Stand

• Those famous lines of Robert Burns, *Oh wad some power the giftie gie us To see oursels as others see us,* have as much validity for corporations as for men, and they can be applied to advertising as well as to any other corporate activity that helps to form the "corporate image" in the public mind. The October issue of DR&MI will offer a comprehensive appraisal of current advertising practice and advertiser agency relationships. Under the title, "Getting the Most from Your Advertising Dollars," it will measure the function, the responsibility, and the people who are involved in the job of advertising, from the Madison Avenue marketers to the executives in the factory offices.

• A man is neither as old as he looks nor as old as he feels when a mandatory retirement age confronts him. Regardless of age or executive importance, he is little more than a statistic unless exceptions are provided for in the retirement plan. In our September issue, DR&MI's Presidents' Panel will answer questions and venture opinions on company policies as well as on their personal plans. The prospect of leisure can be either bleak or pleasant, and we expect a wide range of opinions. It all brings to mind Raphael Demos's apt remark, "Leisure is an empty cup. It all depends upon what we put into it."

• Not only is automation vaguely defined as a function; its application is also widely misunderstood. Many executives have imagined they were buying an Aladdin's lamp instead of a complex electronic gadget which is never any better than the mind that conjures up the questions in data processing. In our August issue, John Diebold makes a keen analysis of the past and future of automation and recounts some of the problems of concerns that can't find enough enigmas for their computers to solve.

• Our thanks to DR&MI subscribers who have responded to our Reader Interest Survey. This testing of reader opinion is limited to a bimonthly random sample. Among our regular departments, "The Trend of Business" won top readership in this survey.—A.M.S.

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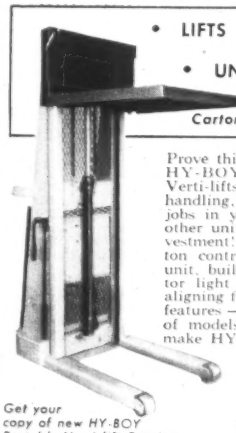

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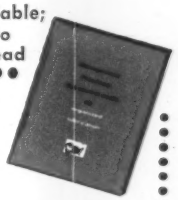

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